

The directors present their annual report together with the audited financial statements of the Company for the period from 27 May 2004 (date of incorporation) to 30 September 2004. The audited financial statements for the period ended 30 September 2004 include supplementary pro forma combined financial statements of the Company and its subsidiaries (collectively referred to as the “Group”), which was legally formed subsequent to 30 September 2004.

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 27 May 2004 under the Companies Act 1981 of Bermuda. Pursuant to a scheme of arrangement sanctioned by the Court of First Instance of the High Court, Hong Kong which became effective on 8 November 2004, the Company issued its shares to the shareholders of MSHK, the then ultimate holding company of the Group, in exchange for the entire issued share capital of MSHK. MSHK then became a wholly-owned subsidiary of the Company which became the holding company of the companies now comprising the Group.

Dealings in the shares of the Company on the Stock Exchange has commenced on 9 November 2004 whilst the listing status of MSHK has been withdrawn on 8 November 2004. Details of the Group Reorganisation were set out in a scheme document issued by MSHK dated 27 August 2004.

In order to apprise the Company’s shareholders of the pro forma combined financial results and position of the Group, pro forma combined financial information comprising pro forma combined income statement, balance sheet and cash flow statement so prepared as if the Group have been in existence throughout the years ended 30 September 2004 and 2003, is included in this annual report. The basis of preparing the aforesaid pro forma combined financial information, which is further detailed in note 1 to the financial statements, has also been applied for presenting the information referring to the Group in this Report of the Directors.

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the leasing and management of the 55% owned cruise and other tourists-related businesses.

3. RESULTS AND APPROPRIATIONS

The Group’s pro forma combined profit for the year ended 30 September 2004 and the pro forma combined state of affairs of the Group as at that date, together with the loss of the Company for the period from 27 May 2004 (date of incorporation) to 30 September 2004 and its state of affairs as at 30 September 2004 are set out in the financial statements on pages 25 to 75.

The directors do not recommend payment of any dividends in respect of the year ended 30 September 2004.

4. SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

5. FIVE-YEAR FINANCIAL SUMMARY

A summary of the pro forma combined results and the pro forma combined net assets of the Group for the past five financial years is set out on page 76.

6. SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the financial statements.

7. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the pro forma combined statement of changes in equity on page 32 of this report and other details of the reserves of the Group and the Company are set out in note 29 to the financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

9. SUBSIDIARY COMPANIES

Particulars of the Company's subsidiary companies as at 30 September 2004 are set out in note 16 to the financial statements.

10. DIRECTORS

The directors of MSHK who held office during the year and up to the 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)

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

There were no rotational retirement provisions in the articles of association of MSHK and that accordingly all existing directors of MSHK would continue in office for the ensuing year.

The Directors of the Company who held office during the period from 27 May 2004 (date of incorporation) and up to the date of this report were:

Executive directors:

Mr. Yeung Hoi Sing, Sonny (*Chairman*) (appointed on 18 June 2004)

Mr. Chan William (*Deputy Chairman*) (appointed on 18 June 2004)

Mr. Lee Siu Cheung (appointed on 18 June 2004)

Non-executive director:

Mr. Choi Kin Pui, Russelle (appointed on 18 June 2004)

Independent non-executive directors:

Mr. Luk Ka Yee, Patrick (appointed on 18 June 2004)

Mr. Yim Kai Pung (appointed on 18 June 2004)

Mr. Yeung Mo Sheung, Ann (appointed on 18 June 2004)

In accordance with bye-law no. 86(2) of the Bye-laws, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, 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 bye-law no. 87 of the Bye-laws, Mr. Luk Ka Yee, Patrick will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

11. DIRECTORS' SERVICE CONTRACTS

The non-executive director and independent non-executive directors were appointed for a period of one year commencing on their respective 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.

13. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2004, the Directors or chief executive of MSHK and/or any of their respective associates had the following interests and short positions in the shares, underlying shares or debentures of MSHK 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 MSHK 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 MSHK and the Stock Exchange:—

| Name | Long position/ Short position | Nature of interest | Number of Shares | Approximate percentage of shareholding |
|--|----------------------------------|--------------------|---------------------|--|
| Mr. Yeung Hoi Sing, Sonny (<i>Note 1</i>) | Long position | Corporate interest | 646,330,716 | 40.71% |
| Mr. Chan William (<i>Note 2</i>) | 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 30 September 2004, none of the Directors or chief executive, or their associates, had any personal, family, corporate or other interests in the securities of MSHK or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to MSHK 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 MSHK and the Stock Exchange.

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

Details of the share option scheme are set out in note 28 to the financial statements.

15. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, so far as was known to the Directors or chief executive of MSHK, the following persons (other than a Director or chief executive of MSHK) had an interest or short position in the Shares and underlying shares of MSHK which would fall to be disclosed to MSHK 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 30 September 2004, 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 MSHK which would fall to be disclosed to MSHK under the provisions of Divisions 2 and 3 of Part XV of the SFO.

16. CONNECTED TRANSACTION

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, in respect of the sale and purchase of the entire equity interest in Fine Lord at a consideration of HK\$5.8 million upon the terms and conditions therein contained. This disposal constituted a connected transaction under the Listing Rules, details of which has been published in an announcement of the Company dated 31 March 2004 according to the disclosure requirements under the Listing Rules.

17. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company and MSHK had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2004.

18. PURCHASE, SALE OR REDEMPTION OF MSHK'S LISTED SECURITIES

Neither MSHK, nor any of its subsidiaries purchased, sold or redeemed any of MSHK's listed securities during the year or up to the date of the listing of the Company's shares. From the listing of the Company's shares on 9 November 2004 up to the date of this report, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

19. MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the continuing operations of the Group accounted for 95.3% of total turnover of the continuing operations of the Group of which the largest customer accounted for approximately 93.8% and the five largest suppliers of the continuing operations of the Group accounted for 84.8% of total purchases of the continuing operations of the Group, of which the largest supplier accounted for approximately 34.0%.

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

20. CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions (2003: HK\$Nil) were made by the Group.

21. POST BALANCE SHEET EVENTS

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

22. CORPORATE GOVERNANCE

Code of Best Practice

None of the directors of MSHK or the Company is aware of any information that would reasonably indicate that MSHK or the Company is not, or was not during the year ended 30 September 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

MSHK or the Company has adopted a code of conduct regarding securities transactions by directors (the “Code of Conduct”) 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, during the year ended 30 September 2004, has complied with the required standard set out in the Model Code and the Code of Conduct.

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. The Company confirms that it has received from each of the independent non-executive directors a confirmation of his/her independence pursuant to rule 3.13 and the Company still considers the independent non-executive directors to be independent.

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 Annual Results

The audited results for the year ended 30 September 2004 have been reviewed by the Audit Committee and audited by Messrs. CCIF CPA Limited which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

23. PRE-EMPTIVE RIGHTS

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

24. AUDITORS

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

On 17 September 2003, Messrs. Deloitte Touche Tohmatsu tendered their resignation as auditors of MSHK and Messrs. CCIF CPA Limited were appointed as auditors of MSHK to fill the vacancy left by the resignation of Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint the retiring auditors, Messrs. CCIF CPA Limited, will be put at the forthcoming AGM.

On behalf of the board of
Macau Success Limited
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 13 January 2005