

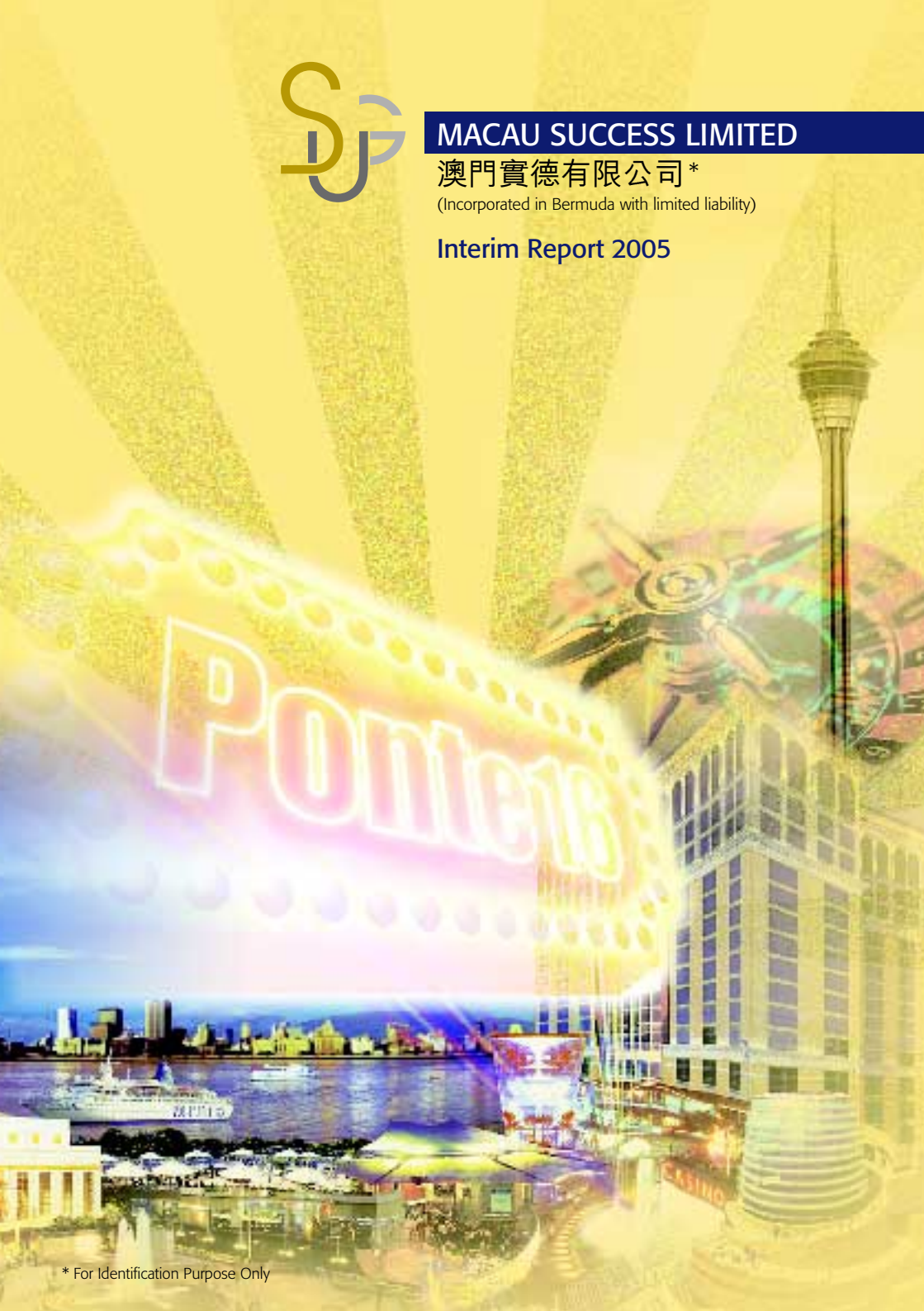


MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

Interim Report 2005



* For Identification Purpose Only

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2005

	Notes	Unaudited Six months ended 31 March	
		2005 HK\$'000	2004 HK\$'000
Turnover	4	50,372	104,777
Cost of sales		(3,140)	(47,415)
Gross profit		47,232	57,362
Other revenue	4	427	4,527
		47,659	61,889
Selling expenses		-	(33,849)
Administrative expenses		(31,951)	(17,779)
Other operating expenses		(66)	(145)
Loss on disposal of subsidiaries		-	(205)
Profit from operations	5	15,642	9,911
Finance costs		(97)	(267)
		15,545	9,644
Share of loss of an associate		(6)	-
Profit before taxation		15,539	9,644
Taxation	6	-	(629)
Profit after taxation		15,539	9,015
Minority interests		(10,218)	(4,701)
Net profit from ordinary activities attributable to shareholders		5,321	4,314
Earnings per share			
- Basic	7	HK0.3 cents	HK0.3 cents
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2005

		(Unaudited) 31 March 2005 HK\$'000	(Audited) 30 September 2004 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Goodwill	8	1,181	1,069
Property, plant and equipment	9	93,287	95,980
Interest in an associate	10	5,346	–
Investment securities	11	–	3,471
		<hr/> 99,814	<hr/> 100,520
CURRENT ASSETS			
Inventories		871	1,214
Trade receivables	12	1,665	1,502
Deposits, prepayment and other receivables		5,567	2,987
Pledged bank deposits		702	200
Cash and bank balances		400,550	31,126
		<hr/> 409,355	<hr/> 37,029
CURRENT LIABILITIES			
Trade payables	13	258	136
Other payables and accruals		2,557	6,312
Other borrowings		–	1,652
		<hr/> 2,815	<hr/> 8,100
NET CURRENT ASSETS		<hr/> 406,540	<hr/> 28,929
TOTAL ASSETS LESS CURRENT LIABILITIES		506,354	129,449

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 31 March 2005

	(Unaudited)	(Audited)
	31 March	30 September
	2005	2004
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Loans from minority shareholders	28,930	31,536
MINORITY INTERESTS		
	21,961	11,743
NET ASSETS		
	455,463	86,170
CAPITAL AND RESERVES		
Issued capital	19,045	15,875
Reserves	436,418	70,295
	455,463	86,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2005

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Distributable reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
At 1 October 2003						
– as previously reported	14,903	374,500	–	976	(361,112)	29,267
– effect on adoption of SSAP 12 (revised)	–	–	–	–	(11)	(11)
– as restated	14,903	374,500	–	976	(361,123)	29,256
Placing of new shares	972	41,067	–	–	–	42,039
Share issuance costs	–	(598)	–	–	–	(598)
Net profit for the period	–	–	–	–	4,314	4,314
At 31 March 2004	<u>15,875</u>	<u>414,969</u>	<u>–</u>	<u>976</u>	<u>(356,809)</u>	<u>75,011</u>
At 1 October 2004	15,875	–	54,450	976	14,869	86,170
Placing of new shares	3,170	402,590	–	–	–	405,760
Share issuance costs	–	(39,670)	–	–	–	(39,670)
Net profit for the period	–	–	–	–	5,321	5,321
Redomicile costs	–	–	(2,118)	–	–	(2,118)
At 31 March 2005	<u>19,045</u>	<u>362,920</u>	<u>52,332</u>	<u>976</u>	<u>20,190</u>	<u>455,463</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 March 2005

	Unaudited	
	Six months ended 31 March	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Net cash generated from operating activities	11,817	3,172
Net cash used in investing activities	(3,257)	(100,425)
Net cash generated from financing activities	361,366	80,028
Net increase/(decrease) in cash and cash equivalents	369,926	(17,225)
Cash and cash equivalents at beginning of the period	31,326	47,358
Cash and cash equivalents at end of the period, representing cash and bank balances	401,252	30,133

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 March 2005

1. BASIS OF PRESENTATION AND GROUP REORGANISATION

Macau Success (Hong Kong) Limited which was incorporated in Hong Kong (formerly known as Macau Success Limited) ("MSHK"), the former holding company of the Group which was formerly listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Macau Success Limited (the "Company") which was incorporated in Bermuda was formerly a wholly-owned subsidiary of MSHK. MSHK put forward a group reorganisation plan (the "Group Reorganisation"), pursuant to which, a scheme of arrangement dated 27 August 2004 which had been sanctioned by the Court of First Instance of the High Court, Hong Kong on 29 October 2004 had been put in place and became effective on 8 November 2004. The following events took place pursuant to the scheme of arrangement:

- i) simultaneously:
 - the entire issued share capital of MSHK was reduced by cancelling and extinguishing all the 1,587,464,233 shares in issue (the "Scheme Shares");
 - MSHK applied part of the credit arising as a result of the capital reduction in paying up in full at par the 10,000,000 new shares allotted and issued, credited as fully paid, to the Company such that MSHK became a wholly-owned subsidiary of the Company and transferred the remaining credit to the distributable reserve account of MSHK;
 - the authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company;
- ii) the share premium account of MSHK was reduced, cancelled and applied against to set off the accumulated losses of MSHK and the remaining credit thereof was transferred to the distributable reserve account; and
- iii) the shareholders of the 1,587,464,233 shares of MSHK received on the basis of one share of the Company for every one share of MSHK in consideration for the cancellation of their Scheme Shares.

Upon the completion of the Group Reorganisation, the Company became the holding company of MSHK and its subsidiaries. MSHK was then delisted from the Stock Exchange on 8 November 2004, and the Company was listed on the Stock Exchange on 9 November 2004 in its place by way of introduction.

The Group Reorganisation which took place on 8 November 2004 involved companies under common control, according to the Hong Kong Statement of Standard Accounting Practice No. 27, "Accounting for Group Reconstructions". Therefore, the Company together with its subsidiaries have been regarded and accounted for as a continuing group in preparation of the Group's interim financial statements for the six months ended 31 March 2005 on a merger accounting basis.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements set out in Appendix 16 of the Listing Rules of the Stock Exchange. This interim report should be read in conjunction with the annual financial statements for the year ended 30 September 2004.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 30 September 2004, in addition the Group has adopted the following accounting policy for associate.

ASSOCIATES

An associate is a company, not being a subsidiary nor an interest in a joint venture, in which the Group has significant influence generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated income statement under the equity method. The consolidated income statement includes the Group's share of the post-acquisition results of associates for the period, and the consolidated balance sheet includes the Group's share of the net assets of associates and goodwill net of accumulated impairment loss and amortisation.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the interim financial statements for the six months ended 31 March 2005.

The Group has commenced an assessment of the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on its results of operations and financial position. These new HKFRSs may result in changes in the future as to how the results and financial position are presented.

4. TURNOVER AND SEGMENTAL INFORMATION

The Group's turnover and results for the six months ended 31 March 2005 analysed by business segments and geographical segments are as follows:

Business segments

For the six months ended 31 March 2005

	Cruise leasing and management HK\$'000	Continuing operations		Consolidated HK\$'000
		Travel HK\$'000	Investment holding HK\$'000	
Turnover	47,591	2,781	-	50,372
Other revenue	6	18	403	427
	<u>47,597</u>	<u>2,799</u>	<u>403</u>	<u>50,799</u>
Segment results	<u>22,747</u>	<u>(395)</u>	<u>(6,710)</u>	<u>15,642</u>
Finance costs				(97)
Share of loss of an associate				<u>(6)</u>
Profit before taxation				<u>15,539</u>

For the six months ended 31 March 2004

	Cruise leasing and management HK\$'000	Continuing operations			Discontinued operations			Consolidated HK\$'000
		Travel HK\$'000	Investment holding HK\$'000	Subtotal HK\$'000	Construction Retail HK\$'000	Construction services HK\$'000	Subtotal HK\$'000	
Turnover	12,118	1,328	-	13,446	66,284	25,047	91,331	104,777
Other revenue	-	-	4,279	4,279	248	-	248	4,527
	<u>12,118</u>	<u>1,328</u>	<u>4,279</u>	<u>17,725</u>	<u>66,532</u>	<u>25,047</u>	<u>91,579</u>	<u>109,304</u>
Segment results	<u>8,291</u>	<u>(295)</u>	<u>(1,454)</u>	<u>6,542</u>	<u>3,076</u>	<u>293</u>	<u>3,369</u>	9,911
Finance costs								<u>(267)</u>
Profit before taxation								<u>9,644</u>

Geographical segments

	For the six months ended 31 March			
	Turnover		Segment results	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,781	92,659	(7,105)	1,620
South China Sea, other than in Hong Kong	47,591	12,118	22,747	8,291
	50,372	104,777	15,642	9,911

5. PROFIT FROM OPERATIONS

Profit from operations is arrived at after (crediting)/charging the following:

	Six months ended 31 March	
	2005	2004
	HK\$'000	HK\$'000
Crediting:		
Interest income	(411)	(144)
Write back of long outstanding payables	-	(1,764)
Exchange gain	-	(210)
Reverse of overprovision for litigation	-	(2,075)
Charging:		
Auditors' remuneration	63	77
Depreciation	3,222	2,049
Amortisation of goodwill included in other operating expenses	66	145

6. TAXATION

No Hong Kong profits tax has been provided for the six months ended 31 March 2005 as the Group has no estimated assessable profits for the period.

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the six months ended 31 March 2004.

The amount of taxation in the condensed consolidated income statement represents:

	Six months ended	
	31 March	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Current taxation	-	588
Deferred taxation	-	41
	<hr/>	<hr/>
Tax charge	-	629
	<hr/> <hr/>	<hr/> <hr/>

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of approximately HK\$5,321,000 (HK\$4,314,000 for the six months ended 31 March 2004) and on the weighted average of 1,834,793,903 ordinary shares (1,562,500,299 ordinary shares for the six months ended 31 March 2004) in issue during the period.

No diluted earnings per share is presented for either period as there are no dilutive ordinary shares in issue.

8. GOODWILL

	<i>HK\$'000</i>
Net book value as at 1 October 2004	1,069
Acquisition of a subsidiary	178
Amortisation for the period	(66)
	<hr/>
Net book value as at 31 March 2005	1,181
	<hr/> <hr/>

9. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value as at 1 October 2004	95,980
Additions	529
Depreciation charge for the period	(3,222)
	<u>93,287</u>
Net book value as at 31 March 2005	<u><u>93,287</u></u>

10. INTEREST IN AN ASSOCIATE

	31 March 2005	30 September 2004
	HK\$'000	<i>HK\$'000</i>
Share of net assets	2,354	–
Goodwill on acquisition	492	–
Due from the associate	2,500	–
	<u>5,346</u>	<u>–</u>

Particulars of the associate as at 31 March 2005 were as follows:

Name of associate	Place of incorporation	Percentage of issued shares held	Principal activities
Pier 16 – Property Development Limited	Macau	24.5%	Development and operation of Ponte 16

11. INVESTMENT SECURITIES

	31 March 2005	30 September 2004
	HK\$'000	<i>HK\$'000</i>
Unlisted shares, at cost	–	971
Due from the investee company	–	2,500
	<u>–</u>	<u>3,471</u>

The amount was unsecured, interest free and without fixed terms of repayment.

On 5 November 2004, World Fortune Limited, a wholly-owned subsidiary, acquired an additional 14.5% interest in the issued share capital of the investee company, namely Pier 16 – Property Development Limited at a consideration of MOP1,450,000 (equivalent to approximately HK\$1,408,000). As a result, the interest in the investee company increased to 24.5%, therefore, the investment in Pier 16 – Property Development Limited has been reclassified as an associate (Note 10 to the financial statements).

12. TRADE RECEIVABLES

The credit term granted by the Group to its customers normally ranges from 30 to 60 days. An aged analysis of the trade receivables is as follows:

	31 March 2005 HK\$'000	30 September 2004 HK\$'000
Current to 30 days	1,653	1,454
31 to 60 days	12	45
61 to 90 days	–	2
Over 90 days	–	1
	<u>1,665</u>	<u>1,502</u>

13. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	31 March 2005 HK\$'000	30 September 2004 HK\$'000
Current to 30 days	257	136
31 to 60 days	1	–
	<u>258</u>	<u>136</u>

14. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2004: 17.5%).

a) The movement in deferred tax (assets) and liabilities during the period is as follows:

	Deferred tax liabilities		Deferred tax assets		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the period	-	11	-	-	-	11
Charged to the income statement	-	255	-	(214)	-	41
At end of the period	<u>-</u>	<u>266</u>	<u>-</u>	<u>(214)</u>	<u>-</u>	<u>52</u>

b) The Group has not recognised deferred tax assets of approximately HK\$8,592,000 and HK\$6,927,000 in respect of tax loss as at 31 March 2005 and 2004 respectively.

15. SHARE CAPITAL

Notes	31 March 2005		30 September 2004	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At beginning of the period	10,000	100	-	-
Authorised share on incorporation (a)	-	-	10,000	-
Increased on 8 November 2004 (b)	159,990,000	1,599,900	-	100
At end of the period	<u>160,000,000</u>	<u>1,600,000</u>	<u>10,000</u>	<u>100</u>
Issued and fully paid:				
At beginning of the period	-	-	-	-
Shares issued to shareholders of MSHK as consideration for cancellation of shares of MSHK (c)	1,587,464	15,875	1,587,464	15,875
Shares placement (d)	317,000	3,170	-	-
At end of the period	<u>1,904,464</u>	<u>19,045</u>	<u>1,587,464</u>	<u>15,875</u>

The change in the authorized and issued share capital of the Company which took place during the period from 27 May 2004 (date of incorporation) to 31 March 2005, was as follows:

- a) On incorporation, the authorized share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were issued and allotted nil paid on 18 June 2004.
- b) On 8 November 2004, the authorized share capital of the Company was increased from HK\$100,000 to HK\$1,600,000,000 by the creation of a further 159,990,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- c) On 8 November 2004, as part of the Group Reorganisation described in note 1 to the condensed financial statements, the Company issued an aggregate of 1,577,464,233 shares of HK\$0.01 each, credited as fully-paid and transfer of 10,000,000 shares of HK\$0.01 each, also credited as fully paid by MSHK to shareholder of MSHK in consideration for the cancellation of the shares of MSHK.
- d) On 10 November 2004, the Company entered into a top-up subscription agreement (the "Subscription Agreement") with its major shareholder. Pursuant to the Subscription Agreement, the major shareholder agreed to subscribe 317,000,000 new shares of the Company of HK\$0.01 each at HK\$1.28 per share. On 23 November 2004, the Company issued and allotted 317,000,000 new shares for a total consideration of HK\$405,760,000, before expenses, to the major shareholder.

For the purpose of preparing the condensed financial statements of the Group as described in note 1 to the condensed financial statements, an aggregate of 1,587,464,233 shares of HK\$0.01 each issued to the shareholders of MSHK in consideration for the cancellation of the shares of MSHK pursuant to the Group Reorganisation were included in the comparative figures as if the current group structure has been in existence since that date.

16. ACQUISITION OF A SUBSIDIARY

	<i>HK\$'000</i>
Deposits, prepayment and other receivables	1,456
Pledged bank deposits	376
Cash and bank balances	1
Other payables and accruals	(375)
	<hr/>
Net assets acquired	1,458
Consideration	(1,636)
	<hr/>
Goodwill	178
	<hr/> <hr/>

17. CAPITAL COMMITMENTS

a) Operating lease commitments

At the balance sheet date, the Group had the following commitments for future lease payment under non-cancellable operating leases which fall due as follows:

	Group		Company	
	31 March 2005	30 September 2004	31 March 2005	30 September 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,180	925	-	-
In the second to fifth years, inclusive	440	831	-	-
	1,620	1,756	-	-

b) Capital commitments

	Group		Company	
	31 March 2005	30 September 2004	31 March 2005	30 September 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for	6,540	-	-	-
Authorised but not contracted for	-	180	-	-
	6,540	180	-	-

18. RELATED PARTY TRANSACTIONS

a) For the six months ended 31 March 2005

On 7 March 2005, Joyspirit Investments Limited (the "Lender"), a wholly-owned subsidiary of the Company, as lender entered into a loan agreement (the "Loan Agreement") with King Seiner Palace Promotor De Jogos, Limitada (the "Borrower"), a company incorporated in Macau with limited liability and is owned as to 56% by Mr. Yeung Hoi Sing, Sonny ("Mr. Yeung"), 24% by Mr. Chan Hon Keung ("Mr. Chan") and 20% by an independent third party, as borrower. As at 1 April 2005, Mr. Yeung, an executive director of the Company, is beneficially interested in approximately 37.74% of the issued share capital of the Company and Mr. Chan is beneficially interested in approximately 16.17% of the issued share capital of the Company.

Pursuant to the Loan Agreement, the Lender will provide a loan facility of HK\$50 million to the Borrower (the "Loan Facility") which will be used as general working capital of the Borrower for the purpose of running its gaming intermediaries business at King Seiner Palace in Macau. The interest payable on the loan is the higher of (i) 20% per annum; and (ii) the amount equivalent to 18% of the net profits of the Borrower before all interest payments on the loan for the latest financial year of the Borrower as shown in the audited accounts (the "Profits") of the Borrower.

In consideration of the Lender agreeing to grant the Loan Facility to the Borrower, Mr. Yeung and Mr. Chan will execute a guarantee in favour of the Lender as security for the Loan Facility whereby they jointly and severally guarantee, unconditionally and irrevocably, the due and punctual payment by the Borrower of the secured indebtedness and/or any part thereof which becomes due from time to time and the due and punctual performance and observance by the Borrower of all its obligations contained in the Loan Agreement.

In addition, pursuant to an option deed dated 7 March 2005 entered into between the Borrower and the Lender (the "Option Deed"), the Borrower agrees to grant the option to the Lender which is exercisable at an option price calculated at price not exceeding 4 times of the Profits at the time of the exercise of the option multiple by 20% at any time during 57 months from the date of the Option Deed. Upon exercise of the option, the Lender shall be entitled to 20% of the enlarged share capital of the Borrower as at the date of the completion of the allotment and issue of shares under the option.

In the opinion of the directors, these transactions were conducted in the normal course of business of the Group and after arm's length negotiation between the Borrower and the Lender. Details of these major and connected transactions are set out in the Company's circular dated 7 April 2005.

b) For the six months ended 31 March 2004

On 26 March 2004, Orient Prize, a wholly-owned subsidiary of the Company as vendor entered into a sale and purchase agreement with Mr. Chan Chung Chiu ("Mr. Chan"), a director of Fine Lord Construction Limited ("Fine Lord"), a wholly-owned subsidiary of the Company in respect of the sale and purchase of the entire equity interest in Fine Lord at a consideration of HK\$5,800,000. The transaction constituted a connected transaction. The consideration was arrived at after arm's length negotiations between the Group and Mr. Chan. The consideration was satisfied by the release of a promissory note executed by Orient Prize and MSHK dated 25 June 2002 in favour of Mr. Chan with outstanding principal and interest of approximately HK\$5,876,000. The disposal was completed on 26 March 2004. Details of the disposal were set out in an announcement of MSHK dated 31 March 2004.

19. POST BALANCE SHEET EVENTS

On 11 May 2005, World Fortune Limited ("World Fortune"), a wholly-owned subsidiary of the Company, as purchaser entered into a conditional sale and purchase agreement with Joy Idea Investments Limited ("Joy Idea") as vendor, pursuant to which World Fortune agreed to acquire from Joy Idea 12.25% equity interest in and its shareholder's loan of HK\$1,250,000 to Pier 16 – Property Development Limited ("Pier 16 – Property Development") at a total consideration of HK\$99.25 million, which will be payable by World Fortune in cash upon completion.

Pier 16 – Property Development is principally engaged in the investment, development and operation of Ponte 16. Ponte 16 is a proposed theme park construction project which comprises of a luxury hotel with casino, shopping arcades, a cultural space and car parks. The whole of Ponte 16 is expected to be completed by the end of 2007 with an expected total investment amounting to approximately HK\$1,000 million.

It has been agreed amongst the shareholders of Pier 16 – Property Development that all investment amounts for the development of Ponte 16 will be firstly financed by external loans. If the external loans are insufficient to meet the funding requirement, the shareholders of Pier 16 – Property Development will provide shareholders' loans in proportion to their respective equity interest therein. Assuming no external loans are borrowed by Pier 16 – Property Development, the maximum total amount of shareholders' loans to be advanced by World Fortune shall be approximately HK\$367.5 million. Given that World Fortune has already provided shareholder's loan of HK\$2.5 million, and World Fortune has agreed to acquire the loan of HK\$1.25 million from Joy Idea, World Fortune may have to further provide, by way of shareholder's loan up to a maximum amount of approximately HK\$363.75 million. The details of the acquisition are set out in the Company's circular dated 21 June 2005.

**CCIF**

CCIF CPA Limited
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong
Telephone: +852 2894 6888
Facsimile: +852 2895 3752
E-mail: info@ccifcpa.com.hk
www.ccifcpa.com

**INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF MACAU SUCCESS LIMITED**
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 17.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express any audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 March 2005.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period under review, turnover of the Group was approximately HK\$50.4 million representing an approximately 52% decrease as compared to the last corresponding period (2004: approximately HK\$104.8 million). Profit attributable to shareholders amounted to approximately HK\$5.3 million, representing an increase of approximately 23% when compared to the last corresponding period (2004: approximately HK\$4.3 million). Earnings per share for the period were HK 0.30 cents (2004: HK 0.30 cents).

The drop in turnover was due to the disposal of the non-core construction and retail businesses in March and June 2004 respectively. However, turnover generated from the Group's core business demonstrates solid growth.

INTERIM DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of interim dividend for the period (2004: Nil).

REVIEW OF OPERATIONS

After the completion of the reorganisation to streamline the Group structure on 8 November 2004, the Group immediately accelerates its gaming and entertainment businesses development in Macau. During the period under review, the Group was on the right track to develop and consolidate its position in Macau's entertainment and gaming businesses.

The proceeds raised by the Placing and the Subscription (as defined under section headed Capital Structure) are partly used to pave the way for increasing the stake in a theme park project namely Ponte 16 (the "Ponte 16"). The theme of the Ponte 16 will resemble the design and construction style of architectures in Macau during the early-to-middle 20th Century, including a luxury hotel with 200 exquisitely equipped luxurious guestrooms and 20 VVIP mansions, a casino with not less than 150 gaming tables, shopping arcades, a cultural space and car parks, with an aggregate gross floor area of approximately 63,584 square metres. The first phase of the Ponte 16 is expected to be completed by the end of 2006.

To increase the Group's presence in the gaming business in Macau, Joyspirit Investments Limited ("Joyspirit"), an indirect wholly-owned subsidiary of the Company, had entered into a loan agreement and an option deed with King Seiner Palace Promotor De Jogos, Limitada ("King Seiner") on 7 March 2005 for providing a loan facility of HK\$50 million to King Seiner under the loan agreement and obtaining an option to be granted by King Seiner under the option deed. It is an expedient way for the Group to gain benefits from the prosperous gaming business in Macau. The return enables the Group to have a guaranteed and stable stream of interest revenue to be received monthly which is equal to 20% on the loan annually (equivalent to HK\$10 million), subject to upward adjustment to a maximum of 18% of the profit of King Seiner. King Seiner is principally engaged in the gaming intermediaries business at King Seiner Palace located in Pharaoh Hotel, Macau and is applying for the Gaming Intermediaries Licence under the Gaming Intermediaries Regulation

of Macau. The gaming intermediaries business to be carried out by King Seiner in Macau includes marketing and organizing gaming-related trips for introducing customers to participate in the gaming activities provided by the casino operator at the King Seiner Palace and provision of other ancillary services such as food and beverage services, accommodation and transportation arrangements for its customers. Upon exercising of the option by Joyspirit at any time during 57 months from the date of the option deed and after fulfilling certain conditions of the option deed, King Seiner shall issue 20% of its enlarged share capital to Joyspirit at a price of 20% of not more than 4 times of the profit of King Seiner.

Travel Business

During the period under review, the Group was striving to realize its strategies for providing one-stop services to tourists which include selling of an array of cruise holiday packages, hotel reservation and ticketing services for overseas destinations.

The turnover of travel business has recorded approximately HK\$2.8 million (2004: approximately HK\$1.3 million), representing an increase of approximately 109% compared with the corresponding period of last year and representing approximately 6% of the Group's total turnover. The increase in turnover was a result of the "Individual Travel Scheme" that brought about tourists from the Mainland China, coupled with improved consumption sentiment due to rebound economy in Hong Kong and decreased unemployment rate. Segment loss was recorded approximately HK\$0.4 million (2004: approximately HK\$0.3 million) since the Group hired more high caliber employee for business development and operation led to a rise in operational cost. However, it is the Group's commitment in developing the tourists-related business as the long-term business strategies.

The Group acquired World Travel Agency Limited in October 2004, marking a milestone for the Group to participate in the travel industry in Macau and a step forward to strengthen its position as a gaming player through the provision of peripheral services to gaming customers and broadening of the customer base.

Cruise Business

During the period under review, cruise business remained the principal contributor of the Group. Turnover from the leasing and management of cruise, MV Macau Success was recorded approximately HK\$47.6 million (2004: approximately HK\$12.1 million), which accounted for approximately 94% of the Group's total turnover. Segment profit amounted to approximately HK\$22.7 million (2004: approximately HK\$8.3 million). The cruise business has been operating since January 2004. It recorded a steady turnover and profit contribution to the Group.

FINANCIAL REVIEW

Pledge of Assets

As at 31 March 2005, the Group has pledged time deposits of approximately HK\$0.7 million (30 September 2004: approximately HK\$0.2 million) to certain banks for issuance of several bank guarantees of approximately HK\$0.7 million (30 September 2004: approximately HK\$0.2 million) for operations of the Group.

Contingent Liabilities

As at 31 March 2005, the Group had no contingent liability (30 September 2004: Nil).

Liquidity, Financial Resources and Gearing

As at 31 March 2005, the Group had net current assets of approximately HK\$406.5 million (30 September 2004: approximately HK\$28.9 million) and had net assets of approximately HK\$455.5 million (30 September 2004: approximately HK\$86.2 million).

As at 31 March 2005, the Group did not have any interest-bearing borrowings (30 September 2004: approximately HK\$1.7 million), and no obligations under finance leases (30 September 2004: Nil).

As at 31 March 2005, there were loans from minority shareholders of approximately HK\$28.9 million (30 September 2004: approximately HK\$31.5 million), which is interest-free, unsecured and without specific repayment term.

Shareholders' funds of the Group as at 31 March 2005 recorded a surplus of approximately HK\$455.5 million (30 September 2004: approximately HK\$86.2 million). Accordingly, the gearing ratio which is measured on the basis of the Group's total interest-bearing borrowings over the shareholders' funds was zero (30 September 2004: approximately 1.9%).

Capital Structure

On 10 November 2004, 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. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a fully underwritten basis, 317,000,000 shares of the Company 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 of the Company at a price of HK\$1.28 per share (the "Subscription"). 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 ("Spring Wise"), another substantial shareholder of the Company, was decreased from approximately 18.51% to approximately 15.43%.

The net proceeds derived from the Subscription amounted to approximately HK\$370 million will be applied as to approximately HK\$167 million for the investment and development of Ponte 16, as to approximately HK\$111 million for other possible investment opportunities in hotel and tourists-related projects, and as to approximately HK\$92 million for general working capital for the Group.

Material Acquisitions

On 18 November 2004, World Fortune Limited (“World Fortune”), an indirect wholly-owned subsidiary of the Company, increased its shareholding in Pier 16 – Property Development Limited (“Pier 16 – Property Development”) to 24.5% by further acquiring of 14.5% equity interest from SJM-Investmentos Limitada (“SJM-Investmentos”) (the “Acquisition I”). After the completion of Acquisition I, Pier 16 – Property Development owned as to 51%, 24.5% and 24.5% by SJM-Investmentos, World Fortune and Joy Idea Investments Limited (“Joy Idea”) respectively. Subsequent to the period, World Fortune, as purchaser, entered into a sale and purchase agreement on 11 May 2005 with Joy Idea, as vendor, for the sale and purchase of 12.25% equity interest in Pier 16 – Property Development (the “Acquisition II”). Upon completion of the Acquisition II, Pier 16 – Property Development will be owned as to 51%, 36.75% and 12.25% by SJM-Investmentos, World Fortune and Joy Idea respectively.

Staffing

As at 31 March 2005, the Group had approximately 310 employees. 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

Macau is known as the “Asian Las Vegas”. According to the statistic of Macau Government Tourism Office, there were 4,457,022 tourists visited Macau from all over the world in the first quarter of 2005, rose by 18.81% comparing with the corresponding period of last year. The numbers are expected to have a steadily growth in the future.

Looking forward, gaming industry is surely the leading and blooming industry in Macau. According to Macau government’s figures, the gaming revenue of Macau in 2004 reached US\$5.1 billion, making it the second in the world and just slightly behind Las Vegas. In the first quarter of 2005, gross gaming revenue had recorded a total of US\$1.37 billion, which is equivalent to 73.4% of the gaming revenue of Las Vegas, and generated US\$0.5 billion in direct tax for the Macau Government.

To capitalize on the rapid growing gaming market in Macau, the Group has completed a lot of groundworks to further strengthen its status in the gaming and tourists-related business. Following the increase of stake in the Ponte 16 project from 10% to 24.5% in November 2004, the Group also announced in May 2005 its further acquisition of the stake in the project to 36.75%. Mr. Yeung Hoi Sing, Sonny, chairman of the Company, has been appointed as director and chief executive officer of Pier 16 – Property Development and Mr. Lee Siu Cheung, executive director of the Company, has been appointed as the director and project manager of Pier 16 – Property Development.

To manifest the design of Ponte 16 to an international standard, Pier 16 - Property Development has hired an international renowned architect, The Jerde Partnership, Inc. as the design architects of the Ponte 16. In addition to the world-class design, the Ponte 16 also possesses unique geographical advantages, as it is close to Zhuhai and located at the main street in Macau parallel with Hotel Lisboa and Ruins of St. Paul's. Once the potential linkage, which connects Zhuhai and Macau, has been completed, it will make Ponte 16 the transportation node and thus attract more tourists to experience the new concept of travel.

The Ponte 16 is an integrated entertainment resort with distinctive advantages including the strong shareholders' structure, unique and superb geographical location as well as the world-class design. In this regard, the Ponte 16 will definitely become an iconic tourist attraction in Macau. Therefore, the Group is very confident towards the prospects of Ponte 16 project.

The Directors believe that the participation in the Ponte 16 and the gaming-intermediaries business thus signifies the Group to accelerate its pace in the investment in the hotel and gaming businesses in Macau. In addition, it not only increases the shares of results derived from the Ponte 16 but also creates tremendous synergy with the Group's existing cruise ship and travel agency businesses for penetration into the great potential market and enhance the shareholders' returns.

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 (*Deputy Chairman*)

Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Independent non-executive Directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung

Ms. Yeung Mo Sheung, Ann

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests in Securities

As at 31 March 2005, 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (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	718,712,802	37.74%
Mr. Chan William (Note 2)	Long position	Corporate interest	307,928,630	16.17%

Notes:

- (1) Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 718,712,802 shares by virtue of the interest of the shares held by Silver Rich 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 307,928,630 shares by virtue of his interest in the issued share capital of Spring Wise.

Save as disclosed above, as at 31 March 2005, 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 20 August 2004, (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 8 November 2004.

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 2005, 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	Long position/ Short position	Nature of interest	Number of shares held	Approximate percentage of shareholding
Silver Rich	Long position	Corporate interest	718,712,802	37.74%
Spring Wise	Long position	Corporate interest	307,928,630	16.17%
Mr. Chan Hon Keung (Note 1)	Long position	Corporate interest	307,928,630	16.17%
Penta Investment Advisers Ltd (Note 2)	Long Position	Corporate interest	117,308,000	6.15%
Zwaanstra John (Note 2)	Long Position	Corporate interest	117,308,000	6.15%
Moore Michael William (Note 2)	Long Position	Corporate interest	117,308,000	6.15%

Notes:

1. Mr. Chan Hon Keung is deemed to have corporate interest in 307,928,630 shares by virtue of his interest in the issued share capital of Spring Wise.
2. Mr. Zwaanstra John and Mr. Moore Michael William are deemed to have corporate interest in 117,308,000 shares by virtue of their interests in the issued share capital of Penta Investment Advisers Ltd.

Save as disclosed above, as at 31 March 2005, 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 2005, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005. With effective from 1 January 2005, the Code of Best Practice has been replaced by a new Code on Corporate Governance Practices (the "CG Code"). The Company has been and will continue the process of reviewing its corporate governance practices and implementing new and applicable measure under the CG Code in line with the respective compliance dates.

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 is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants of the United Kingdom. He has over 15 years of auditing experience both in Hong Kong and China. Mr. Yim is presently a sole proprietor of David Yim & Co., Certified Public Accountants.

Audit Committee

The Company has set up an audit committee (the "Audit Committee") which comprises Mr. Choi Kin Pui, Russelle, non-executive Director, Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, independent non-executive Directors, with terms of reference prepared based on "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee is chaired by Mr. Yim Kai Pung. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system.

Remuneration Committee

The Company has also set up a remuneration committee (the "Remuneration Committee") which comprises Mr. Chan William, executive Director, Mr. Choi Kin Pui, Russelle, non-executive Director, Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, independent non-executive Directors, with terms of reference adopted by the Board. The Remuneration Committee is chaired by Mr. Chan William. The principal duties of the Remuneration Committee are to review and determine the remuneration package of the Directors and senior management of the Group.

Review of Interim Results

The unaudited results for the six months ended 31 March 2005 have been reviewed by the Audit Committee and Messrs. CCIIF CPA Limited 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
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 27 June 2005