

OTHERS

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Others

King Seiner Loan Arrangement

Through a loan agreement of HK\$50 million and an option deed signed by an indirect wholly-owned subsidiary of the Company, Joyspirit with King Seiner on 7 March 2005, the Group is entitled to a guaranteed and stable stream of interest revenue equaling to 20% of the HK\$50 million loan annually subject to an upward adjustment to a maximum of 18% of King Seiner's net profit. During the year under review, loan interest income generated from King Seiner was approximately HK\$1.6 million. It is expected that King Seiner, with its full year contribution next year, will contribute significantly to the Group's profit, which will be fully reflected in the Group's next financial year. Also, under the option deed, Joyspirit has the right to exercise the option 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. The management will keep close track on the financial performance of King Seiner and decide the right timing for exercising the option.

FINANCIAL REVIEW

Pledge of Assets

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

Contingent Liabilities

As at 30 September 2005, the Group had no contingent liability (2004: HK\$Nil).

Liquidity, Financial Resources and Gearing

As at 30 September 2005, the Group had net current assets of approximately HK\$199.5 million (2004: approximately HK\$28.9 million). In accordance with the new accounting standards adopted by the Group during the year, the Group had net assets of approximately HK\$680.7 million (2004: approximately HK\$97.9 million).

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

As at 30 September 2005, there were loans from minority shareholders of approximately HK\$26.2 million (2004: approximately HK\$31.5 million), which is interest-free, unsecured and without fixed repayment term.

As at 30 September 2005, the Group had no bank loan (2004: HK\$Nil).

Equity attributable to equity holders of the Company as at 30 September 2005 recorded a surplus of approximately HK\$649.5 million (2004: approximately HK\$86.2 million). Accordingly, the gearing ratio which is measured on the basis of the interest-bearing borrowings of the Group over equity attributable to equity holders of the Company was not applicable for this year (2004: approximately 1.9%).

Capital Structure

Placing of Existing Shares and Subscription of New Shares

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 (the “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 “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, percentage of the shareholding of Silver Rich was decreased from approximately 43.20% to approximately 36.01% and percentage of the 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 would be applied as planned approximately HK\$167 million for the investment and development of Ponte 16, approximately HK\$111 million for other possible investment opportunities in hotel and tourists-related projects, and approximately HK\$92 million for general working capital for the Group.

Material Acquisition

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 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. On 11 May 2005, World Fortune, as purchaser, entered into a sale and purchase agreement with Joy Idea, as vendor, for the sale and purchase of 12.25% equity interest in Pier 16 - Property Development (the “Acquisition II”). The Acquisition II was completed on 5 July 2005 whereupon Pier 16 - Property Development was owned as to 51%, 36.75% and 12.25% by SJM-Investmentos, World Fortune and Joy Idea respectively.

Staffing

As at 30 September 2005, the Group had approximately 320 employees. Remuneration is determined by reference to 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

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Ponte 16

As part of the Group's continuing initiatives to further solidify its position in hotel, casino and property-related businesses in Macau, the Group had strategically increased its stake in the flagship project - Ponte 16 to 36.75% in July 2005.

Ponte 16 is a multi-functional, integrated resort consisting of hotel, retail, food and beverage, recreational facilities, and casino (subject to the approval of Macau SAR Government). The development is embedded in the historical heritage of Macau with its location being a historic site - Pier 16 that has commenced operation since the beginning of the last century.

The focal point of Ponte 16 is the clock tower situated at the historic Pier 16. Pier 16 - Property Development has submitted the formal application to the Macau SAR Government for approval of increasing the gross floor area from 63,584 square metres to 120,300 square metres. The project will expand on

both sides of the clock tower to include a casino (subject to the approval of Macau SAR Government), a five-star hotel and a shopping complex. On the right hand side of the clock tower will be a 17-storey high hotel tower. On the left hand side of the clock tower will be a shopping complex where tourists can find a wide array of shops, restaurants and cinemas. A promenade will be built along the waterfront location to provide a venue for outdoor performances, such as fireworks and laser display, and other leisure activities. With the expanded gross floor area, the total investment of the project will be increased to approximately HK\$2.4 billion.

In October 2005, Pier 16 - Property Development has announced the preliminary design of Ponte 16, which reflects the architectural design of Macau at the turn of the 20th Century. It is to the management's belief that Ponte 16 would become a major tourist and cultural attraction in Macau. Renowned architects, The Jerde Partnership, Inc., whose works include the Bellagio in Las Vegas, Universal CityWalk in Los Angeles, Roppongi Hills in Tokyo and Langham Place in Hong Kong, will





- Ponte 16 will be the Gem and New Landmark of Macau.



handle the overall planning and design of the project. CAA City Planning and Engineering Consultants Limited will provide consulting services in structural design and local compliance.

The project will be completed phase by phase with the casino targeting operation by the end of 2006 and the rest of facilities to be completed by the end of 2007 and the hotel will be managed by a world-class hotel management company.

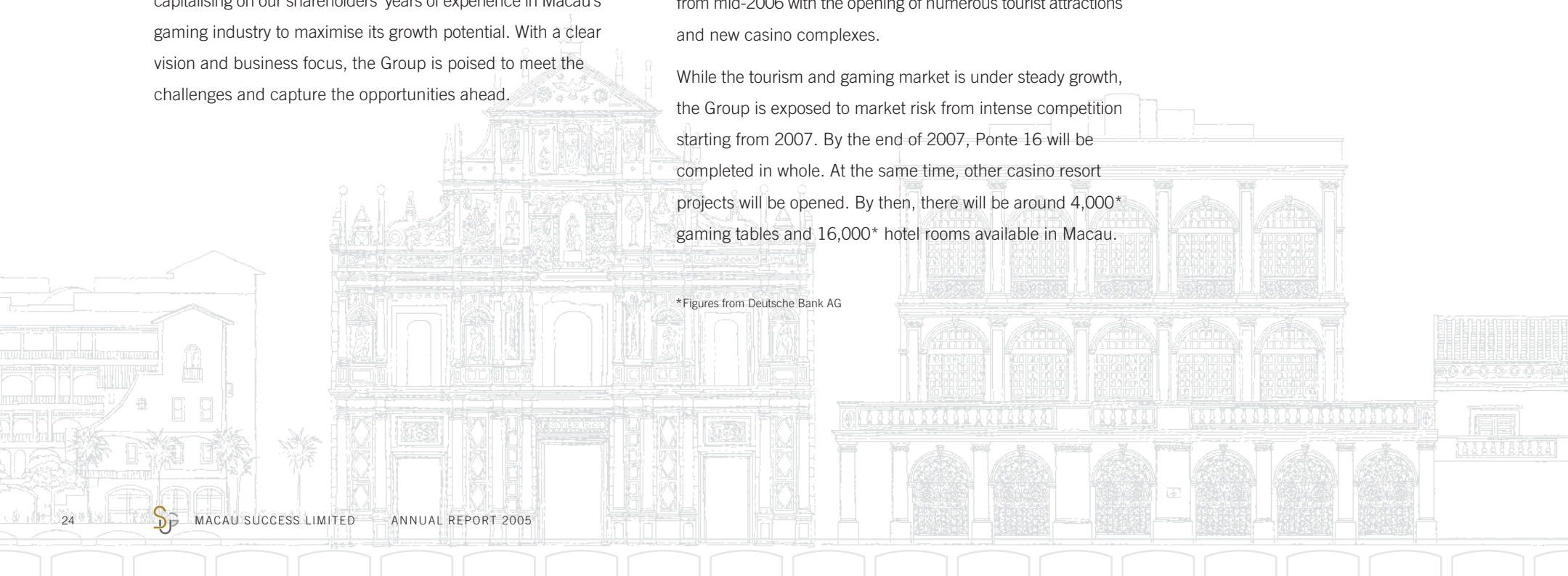
Challenges and Opportunities

The Group has developed the strategies to expand the gaming and entertainment-related business in 2006 and beyond, capitalising on our shareholders' years of experience in Macau's gaming industry to maximise its growth potential. With a clear vision and business focus, the Group is poised to meet the challenges and capture the opportunities ahead.

In the first 11 months of 2005, Macau tourist arrivals reached 17 million, which have already exceeded the total tourist arrival figure in 2004, and the total gaming revenues in Macau during 2005 is around US\$5.6 billion, increased by 11% compared to that of 2004. Although the growth is slower than expected, the Group is confident that growth momentum will resume from mid-2006 with the opening of numerous tourist attractions and new casino complexes.

While the tourism and gaming market is under steady growth, the Group is exposed to market risk from intense competition starting from 2007. By the end of 2007, Ponte 16 will be completed in whole. At the same time, other casino resort projects will be opened. By then, there will be around 4,000* gaming tables and 16,000* hotel rooms available in Macau.

*Figures from Deutsche Bank AG





It is expected that the market will be highly competitive and net win per table will likely drop even with an increasing number of tourists going to Macau.

In view of these challenges, the management identified four main strategies to solidify the Company's competitive advantages and achieve exponential growth for the Group in the coming years. The strategies are:

Creating A Premium Brand

The Group has established itself in the past year as one of the leading players in the gaming and entertainment-related industry, especially after the announcement of the Ponte 16 project. The Group believes that, through constant and effective marketing communications with the consumers, industry practitioners and analysts, the Macau Success brand will be identified as experienced, professional and quality which will help attract business, customers and partners.

Providing Unique Products

After the reorganisation of the Group, it now focuses on the gaming and entertainment-related industry. All services are highly synchronised to offer an one-stop solution to customers starting from travel arrangement to gaming. Despite the increasing competition, especially after the opening of other major casinos in Macau, Ponte 16 will remain as one of the most unique entertainment complexes in Macau due to its historic architectural design, superb location and the vast variety of services it provides. The management strongly believes that Ponte 16 will be the new gem of Macau and a new focal point in the old Macau after its full completion in 2007.



Satisfying Customers' Needs

Mainland Chinese visitors will continue to be the most important group of visitors to Macau both in terms of the total visitor number and average spending. The Group and the management have numerous years of experience in servicing Mainland Chinese and possess a thorough understanding of their needs and behavior, and are well-positioned to offer them services best tailored to their preferences. This will allow us to attract a high flow of high-spending customers to Ponte 16 and will help us receive steady income in the coming years.

Leveraging Strong People's Network

The management possesses many years of experience in the Macau market and has established a strong local network that will help propel the Group to a rapid growth path in the coming years. The management has very good working relationship with the Macau SAR Government, industry practitioners and other market players, vital to the success of the Group in the local market.

In conclusion, the management is confident that the Group is on the right track of establishing itself as one of the successful players in the Macau's gaming and entertainment-related industry, capable of creating long-term values to our shareholders. There are challenges ahead but the Group possesses all the necessary qualities to overcome them and stay ahead of the competition, capitalising on the many opportunities Macau has to offer in gaming and entertainment and more.

