



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0487)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

RESULTS

The board of directors (the "Board") of Macau Success Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 September 2005 together with comparative figures for the previous year are as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2005

Notes	Year ended 30 September	
	2005 HK\$'000	2004 HK\$'000 (Restated)
Turnover		
Cost of sales	5 100,905 (6,520)	191,956 (68,089)
Gross profit	94,385	123,867
Other revenue	5,859	4,659
	<u>100,244</u>	<u>128,526</u>
Selling expenses	-	(55,315)
Administrative expenses	(68,352)	(49,062)
Other operating expenses, net	-	(211)
Gain on disposal of subsidiaries	-	10
Waiver of other loan	-	4,036
Gain on disposal of discontinued operations	-	2,304
	<u>31,892</u>	<u>30,288</u>
Profit from operations	6 31,892	30,288
Share of results of associates	(12)	-
Finance costs	(97)	(322)
	<u>31,783</u>	<u>29,966</u>
Profit before taxation	7 31,783	29,966
Taxation	-	(642)
	<u>31,783</u>	<u>29,324</u>
Profit for the year		
Attributable to:		
Equity holders of the Company	12,291	15,442
Minority interests	19,492	13,882
	<u>31,783</u>	<u>29,324</u>
Earnings per share	8	
- Basic	<u>HK0.66 cents</u>	<u>HK0.98 cents</u>
- Diluted	<u>N/A</u>	<u>N/A</u>
CONSOLIDATED BALANCE SHEET		
At 30 September 2005		
	2005 HK\$'000	2004 HK\$'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	90,247	95,980
Goodwill	1,313	1,069
Available-for-sale investments	25,239	-
Investment securities	-	3,471
Interest in associates	339,042	-
Loan receivable	51,562	-
	<u>507,403</u>	<u>100,520</u>
CURRENT ASSETS		
Inventory	1,181	1,214
Trade receivables	1,624	1,502
Deposits, prepayment and other receivables	11,213	2,987
Pledged bank deposits	708	200
Cash and bank balances	189,965	31,126
	<u>204,691</u>	<u>37,029</u>
CURRENT LIABILITIES		
Trade payables	156	136
Other payables and accruals	4,996	6,312
Other borrowings	-	1,652
	<u>5,152</u>	<u>8,100</u>
NET CURRENT ASSETS	<u>199,539</u>	<u>28,929</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>706,942</u>	<u>129,449</u>
NON-CURRENT LIABILITIES		
Loans from minority shareholders	26,208	31,536
NET ASSETS	<u>680,734</u>	<u>97,913</u>
CAPITAL AND RESERVES		
Issued capital	19,045	15,875
Reserves	630,454	70,295
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>649,499</u>	<u>86,170</u>
Minority interests	31,235	11,743
TOTAL EQUITY	<u>680,734</u>	<u>97,913</u>

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

Macau Success (Hong Kong) Limited ("MSHK"), the former holding company of the Group which was previously listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), put forward a group reorganisation plan (the "Group Reorganisation"). Pursuant to the Group Reorganisation, a scheme of arrangement dated 27 August 2004, which was sanctioned by the Court of First Instance of the High Court, Hong Kong on 29 October 2004 and became effective on 8 November 2004. Subsequent to the Group Reorganisation, the following events took place:

- simultaneous with each other:
 - 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 to pay 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;
- the share premium account of MSHK was reduced, cancelled and applied to set off against the accumulated losses of MSHK and the remaining credit thereof was transferred to the distributable reserve account; and

- the shareholders of the 1,587,464,233 shares of MSHK received 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 involved companies under common control, and for accounting purposes, the Company and its acquired subsidiaries are regarded and accounted for as a continuing group. Accordingly, the consolidated financial statements have been prepared using the merger basis of accounting as if the Company had always been the holding company of the Group. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented or since their dates of incorporation if these are shorter periods, rather than from the subsequent date of acquisition of the subsidiaries. The consolidated results and cash flows of the Group for the years ended 30 September 2004 and 2005 include the results and cash flows of the Company and its subsidiaries with effect from 1 October 2003 or since their respective dates of incorporation, where these are shorter periods. The comparative consolidated balance sheet as at 30 September 2004 was prepared as if that the Group had been in existence at that date.

2. EARLY ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted, in the preparation of the Group's annual financial statements for the year ended 30 September 2005, on the basis of HKFRSs currently in issue. A summary of the significant accounting policies adopted by the Group is set out below.

The following new and revised HKFRSs are relevant to the Group's financial statements and are adopted for the first time for the preparation of the current year's financial statements. In accordance with the relevant requirements under these HKFRSs where permitted, comparative amounts of the financial statements for the year ended 30 September 2004 have been restated.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation - Special Purpose Entities
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets

The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

- HKAS 1 affects certain presentation and disclosure of the financial statements;
- HKAS 8, 27 and 33 affect certain disclosure of the financial statements;
- HKASs 2, 7, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 28, 32, 37, 38, 39, 40, HKFRS 2, 5, HKAS-Int 12, HKAS-Int 15 and HKAS-Int 21 do not have any significant change in the Group's accounting policies; and
- the impact of the early adoption of other new and revised HKFRS is set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

a) Amortisation of positive and negative goodwill (HKFRS 3 Business Combinations and HKAS 36 Impairment of Assets)

In prior years:

- positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;
- positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life of 10 years and was subject to impairment testing when there were indications of impairment; and
- negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 October 2004 in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1 October 2004 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 October 2004 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 30 September 2005.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

b) Minority interest (HKAS 1 Presentation of Financial Statements and HKAS 27 Consolidated and Separate Financial Statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 October 2004, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative year has been restated accordingly.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and management separately, according to the nature of their operations and the products and services provided. Each of the Group's business segment represents a strategic business unit that offers:

- cruise leasing and management business;
- travel business;
- construction services (discontinued); and
- retail business (discontinued).

a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group	For the year ended 30 September 2005		
	Continuing operations		
	Cruise leasing and management HK\$'000	Travel HK\$'000	Consolidated HK\$'000
Revenue			
Turnover	95,382	5,523	100,905
Other revenue	12	42	54
Total revenue	95,394	5,565	100,959
Results			
Segment results	43,413	(789)	42,624
Unallocated corporate income			5,805
Unallocated corporate expenses			(16,537)
Profit from operations			31,892
Share of results of associates			(12)
Finance costs			(97)
Profit before taxation			31,783
Taxation			-
Profit for the year			31,783
Minority interests			(19,492)
Profit attributable to equity holders of the Company			12,291
Balance Sheet			
Assets			
Segment assets	131,909	924	132,833
Unallocated assets			579,261
Consolidated total assets			712,094
Liabilities			
Segment liabilities	28,901	208	29,109
Unallocated liabilities			2,251
Consolidated total liabilities			31,360

Group	For the year ended 30 September 2005			
	Continuing operations			
	Cruise leasing and management HK\$'000	Travel HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Other information:				
Depreciation	5,781	21	672	6,474
Capital expenditure	397	6	338	741

Group	For the year ended 30 September 2004						
	Continuing operations			Discontinued operations			
	Cruise leasing and management HK\$'000	Travel HK\$'000	Subtotal HK\$'000	Construction services HK\$'000	Retail HK\$'000	Subtotal HK\$'000	Consolidated HK\$'000
Revenue							
Turnover	57,753	3,811	61,564	25,047	105,345	130,392	191,956
Other revenue	3	2	5	7	433	440	445
Total revenue	57,756	3,813	61,569	25,054	105,778	130,832	192,401
Results							
Segment results	28,158	(605)	27,553	85	6,194	6,279	33,832
Unallocated corporate income							4,214
Unallocated corporate expenses							(7,547)
Amortisation of goodwill							(211)
Profit from operations							30,288
Finance costs							(322)
Profit before taxation							29,966
Taxation							(642)
Profit for the year							29,324
Minority interests							(13,882)
Profit attributable to equity holders of the Company							15,442
Balance sheet							
Assets							
Segment assets	100,469	1,007	101,476	-	-	-	101,476
Unallocated assets			36,073				36,073
Consolidated total assets			137,549				137,549
Liabilities							
Segment liabilities	35,825	138	35,963	-	-	-	35,963
Unallocated liabilities			3,673				3,673
Consolidated total liabilities			39,636				39,636

Group	For the year ended 30 September 2004							
	Continuing operations				Discontinued operations			
	Cruise leasing and management HK\$'000	Travel HK\$'000	Unallocated HK\$'000	Subtotal HK\$'000	Construction services HK\$'000	Retail HK\$'000	Subtotal HK\$'000	Consolidated HK\$'000
Other information								
Depreciation	4,088	14	605	4,707	198	443	641	5,348
Amortisation of goodwill	66	-	-	66	-	145	145	211
Capital expenditure	96,062	99	303	96,464	86	-	86	96,550

Note:

On 10 March 2004, Capture Success Limited, a subsidiary of the Group, entered into an agreement to acquire the entire issued share capital of Hover Management Limited ("Hover"), a company incorporated in Hong Kong for a consideration of HK\$1. Hover is principally engaged in the management of the cruise owned by the Group. The fair value of the net identifiable liabilities of Hover attributable to the Group at the date of acquisition was approximately HK\$1,135,000. The resulting goodwill is approximately HK\$1,135,000.

b) Geographical segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's geographical segments.

Group	For the year ended 30 September 2005		
	Continuing operations		
	South China Sea, other than in Hong Kong HK\$'000	Hong Kong HK\$'000	Consolidated HK\$'000
Segment revenue:			
Turnover	95,382	5,523	100,905
Segment results	43,413	(789)	42,624
Segment assets	184,491	527,603	712,094
Capital expenditure	397	344	741

For the year ended 30 September 2004

	Continuing operations			Discontinued operations	
	South China Sea, other than in Hong Kong HK\$'000	Hong Kong HK\$'000	Subtotal HK\$'000	Hong Kong HK\$'000	Consolidated HK\$'000
Segment revenue:					
Turnover	57,753	3,811	61,564	130,392	191,956
Segment results	28,158	(605)	27,553	6,279	33,832
Segment assets	100,469	37,080	137,549	-	137,549
Capital expenditure	96,062	402	96,464	86	96,550

5. TURNOVER

The analysis of the Group's turnover is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover						
Cruise leasing and management fee income	95,382	57,753	-	-	95,382	57,753
Travel agent service fee income	5,523	3,811	-	-	5,523	3,811
Construction, equipment rental and services income	-	-	-	25,047	-	25,047
Retail business	-	-	-	105,345	-	105,345
	100,905	61,564	-	130,392	100,905	191,956

6. PROFIT FROM OPERATIONS

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

	Continuing operations		Discontinued operations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amortisation of goodwill	-	66	-	145	-	211
Auditors' remuneration	518	436	-	42	518	478
Depreciation:						
Owned fixed assets	6,474	4,707	-	641	6,474	5,348
Operating lease rentals:						
Land and buildings	1,385	813	-	850	1,385	1,663
Plant and machinery	12	-	-	53	12	53
Provision for other receivables	-	-	-	335	-	335
Exchange gain	(15)	(208)	-	-	(15)	(208)
Staff costs (including contribution of retirement scheme of HK\$408,000) (2004: HK\$339,000)	27,384	16,321	-	2,429	27,384	18,750

7. TAXATION

The amount of taxation charged to the consolidated income statement represents:

	Group	
	2005 HK\$'000	2004 HK\$'000
Hong Kong Profits Tax	-	681
- Charge for the year	-	-
Deferred taxation relating to the origination and reversal of temporary differences	-	(39)
	-	642

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately HK\$12,291,000 (2004: HK\$15,442,000) and on the weighted average number of 1,869,724,000 (2004: 1,575,214,000) ordinary shares in issue during the year.

There was no dilution effect on the basic earnings per share for the year ended 30 September 2005 and 30 September 2004 respectively as there were no dilutive instruments outstanding during both years.

9. COMPARATIVE AMOUNTS

As further explained in notes 2 and 3 to the announcement, due to the early adoption of HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

RESULTS FOR THE YEAR

Results

The total turnover of the Group for the year ended 30 September 2005 was approximately HK\$100.9 million (2004: approximately HK\$192.0 million). The decrease in total turnover was mainly due to the disposal of certain non-core businesses in the construction and retail field in 2004 as part of the Group Reorganisation. Through this reorganisation, the Group is to focus on the expanding gaming and entertainment-related business in Hong Kong and Macau.

The Group's dedication and efforts proved to be successful as our core business demonstrated strong and steady growth during the year under review. Turnover from our core business was approximately HK\$100.9 million, representing a 63.8% increase from that of the last year (2004: approximately HK\$61.6 million).

Profit attributable to equity holders of the Company amounted to approximately HK\$12.3 million, representing a decrease of 20.1% as compared to that of last year (2004: approximately HK\$15.4 million). Profit after tax of last year included one-off gains, which included the waiver of loan and gains on disposal of discontinued operations amounted to approximately HK\$6.3 million. Excluding these one-off gains recorded in last year, profit attributable to equity holders for this year would have been a remarkable increase of 35%. In addition, through our relentless efforts to enhance efficiencies across our operations, the Group has reported strong operating results. The Group's operating profit increased by 5.3% to approximately HK\$31.9 million (2004: approximately HK\$30.3 million). Operating profit margin achieved 31.6% for the year, an improvement of 100% compared to 15.8% in the last year, attributable to the effective cost optimisation measures and corporate restructuring during the year under review. After the streamlining of the operations, the Group's resources were more effectively utilised in developing the gaming and entertainment-related business.

Dividend

The directors do not recommend the payment of any dividends in respect of the year ended 30 September 2005 (2004: Nil).

Business Review

Cruise Business

During the year under review, the cruise business remained the principal revenue contributor for the Group and continued to generate a stable income stream with steady growth. The leasing and management of the cruise, M.V. Macau Success, accounted for 94.5% of our total turnover. Turnover from the cruise business increased by 65.1% to approximately HK\$95.4 million (2004: approximately HK\$57.8 million), primarily due to the booking of the full year charter fee and management fee income into the accounts this year. Segment profit from cruise business was approximately HK\$43.4 million (2004: approximately HK\$28.2 million).

Not only did it contribute a stable income to the Group but the cruise business also provided tremendous synergy to its business and is a key part of our strategy to develop the gaming and entertainment-related business.

Travel Business

The travel business recorded a turnover of approximately HK\$5.5 million during the year under review, representing an increase of 44.7% (2004: approximately HK\$3.8 million), and accounted for 5.5% of the total turnover. A net loss of approximately HK\$0.8 million (2004: approximately HK\$0.6 million) was recorded from this business as the Group hired more high caliber employees for business development and operation which led to a rise in operating cost.

Though being a smaller piece of business within the Group, it is the Group's strategy of continuing development of travel business as a unique platform to provide professional travel services to high-end customers and attract traffic to M.V. Macau Success, the Company's flagship cruise.

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 Investments Limited ("Joyspirit") with King Seiner Palace Promotor De Jogos, Limitada ("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 places 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 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. 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

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 Macau SAR Government's approval). 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 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. Pier 16 – Property Development is discussing with a world-class hotel management company to manage the operation of the hotel.

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. 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 February 2006 to 27 February 2006, both days inclusive, during which period no share transfer will be registered. In order to qualify for attendance at the forthcoming annual general meeting of the Company convened to be held on 28 February 2006, all transfer forms together with relevant share certificates must be lodged with the branch share registrars of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

In the opinion of the directors of the Company (the "Directors"), the Company has complied throughout the year ended 30 September 2005 with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules, which was in force prior to 1 January 2005.

With effective on 1 January 2005, the Stock Exchange issued a new Code on Corporate Governance Practices (the "CG Code") which has been replaced the Code of Best Practice and was in force for the reporting financial year commencing after 1 January 2005. The Company has reviewed the CG Code and has adopted the same as its own code of corporate governance practices. The Company has also complied with most of the code provisions under the CG Code except for the deviations mentioned below:–

Code Provision A4.2 stipulated that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and all directors should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company (the "Bye-laws"), any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting and one-third of the Directors for the time being shall retire by rotation each year, the chairman of the Board shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. To align the Bye-laws with the latest amendments to the CG Code, the Company will propose to amend the Bye-laws in the forthcoming general meeting.

Code Provision C.2 stipulated that the Board should review the effectiveness of the system of internal control and report in the Corporate Governance Report which will be included in the annual report of the Company for the year ended 30 September 2005. The Board noted the changes and will apply them to the Company in order to ensure the strictly compliance with the CG Code.

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.

Audit Committee

The Company has set up an audit committee (the "Audit Committee") which comprises the non-executive Director and all 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 an executive Director, Mr. Chan William who chairs the Remuneration Committee, the non-executive Director and all independent non-executive Directors with terms of reference adopted by the Board. The Remuneration Committee are to review and determine the remuneration package of the Directors and senior management of the Group.

Review of Annual Results

The audited results for the year ended 30 September 2005 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.

PURCHASE, SALE OR REDEMPTION OF 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.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

A detailed final results announcement containing all information required by paragraphs 45(1) to 45(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

ACKNOWLEDGEMENTS

Finally, we would like to express our appreciation to our shareholders, partners and customers for their continued support and trust towards the Group. We would also like to extend our sincere gratitude to all our dedicated employees for their contribution and hard work.

By Order of the Board of
Macau Success Limited
Yeung Hoi Sing, Sonny
Chairman

The current Board comprises:

Executive Directors:

Mr. Yeung Hoi Sing, Sonny, Mr. Chan William, 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

Hong Kong, 10 January 2006

* For identification purpose only

Figures from Deutsche Bank