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If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Macau Success Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

**MAJOR TRANSACTIONS INVOLVING
ACQUISITION OF A 12.25% EQUITY INTEREST IN AND
THE RELATED LOAN TO PIER 16 – PROPERTY DEVELOPMENT LIMITED
AND
POSSIBLE PROVISION OF SHAREHOLDER’S LOANS TO
PIER 16 – PROPERTY DEVELOPMENT LIMITED**

Financial adviser to the Company



21 June 2005

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Aggregate Consideration”	the aggregate consideration of HK\$99.25 million for the acquisition of the Sale Shares and the Sale Loan, which comprises the Share Consideration and the Loan Consideration
“Agreement”	the conditional sale and purchase agreement dated 11 May 2005 entered into between World Fortune and Joy Idea in relation to the sale and purchase of the Sale Shares and the Sale Loan
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Macau Success Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Sale Loan in accordance with the terms of the Agreement
“Conditions Precedent”	the conditions precedent as set out in the Agreement
“Directors”	the directors of the Company
“Enlarged Group”	the Group as enlarged by the acquisition of a 12.25% equity interest in and the related loan to Pier 16 – Property Development
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or company(ies), together with whose or which ultimate beneficial owner(s), to the best of the Director’s knowledge and information and having made all reasonable enquiries, is/are independent of and not connected with the Company, the directors, chief executive, substantial shareholders (as defined under the Listing Rules) of the Company and its subsidiaries or any of their respective associates

DEFINITIONS

“Joy Idea”	Joy Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is an Independent Third Party
“Land Parcel”	a land parcel located at between Pier No. 12A to 20, Inner Harbour of Macau
“Latest Practicable Date”	16 June 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	the face value of the Sale Loan of HK\$1.25 million, being the consideration payable for the assignment of the Sale Loan
“Macau”	the Macau Special Administrative Region of the PRC
“Pier 16 – Property Development”	Pier 16 – Property Development Limited (“Ponte 16 – Desenvolvimento Predial, S.A.” in Portuguese), a company incorporated on 20 February 2004 under the laws of Macau with limited liability which is owned as to 51.00% by SJM-Investimentos, as to 24.50% by World Fortune and as to 24.50% by Joy Idea as at the Latest Practicable Date
“Ponte 16”	a theme park construction project being developed by Pier 16 – Property Development on the Land Parcel, which will include a luxury hotel with casino lounge, shopping arcades, a cultural space and car parks
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Property Valuation”	the property valuation as at 6 May 2005 on the Land Parcel prepared by Savills
“Sale Loan”	the interest free shareholder’s loan owing from Pier 16 – Property Development to Joy Idea with a face value of HK\$1,250,000, being 50% of the total amount of the shareholder’s loan provided by Joy Idea to Pier 16 – Property Development as at the Latest Practicable Date

DEFINITIONS

“Sale Shares”	12,250 shares beneficially owned by Joy Idea, representing 12.25% of the entire issued share capital of Pier 16 – Property Development as at Latest Practicable Date
“Savills”	Savills (Hong Kong) Limited, a professional property valuer which is an Independent Third Party
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Consideration”	HK\$98 million, being the consideration payable for the purchase of the Sale Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau which is an Independent Third Party
“SJM-Investimentos”	SJM-Investimentos Limitada, a company incorporated under the laws of Macau with limited liability which is a wholly-owned subsidiary of SJM and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“World Fortune”	World Fortune Limited, a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“MOP”	Macau Pataca, the lawful currency of Macau
“%”	per cent.

Unless otherwise stated, amounts denominated in MOP have been translated into HK\$ in this circular at a rate of MOP1.03=HK\$1.00. No representation is made that any amounts in MOP and HK\$ can be or could have been converted at such rate or any other rate or at all.

LETTER FROM THE BOARD



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

Executive Directors:

Mr. Yeung Hoi Sing, Sonny (*Chairman*)

Mr. Chan William (*Deputy Chairman*)

Mr. Lee Siu Cheung

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Head office and principal place

of business in Hong Kong:

Independent non-executive Directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung

Ms. Yeung Mo Sheung, Ann

Units 1002-05A, 10th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

21 June 2005

To the Shareholders

Dear Sirs,

**MAJOR TRANSACTIONS INVOLVING
ACQUISITION OF A 12.25% EQUITY INTEREST IN AND
THE RELATED LOAN TO PIER 16 – PROPERTY DEVELOPMENT LIMITED
AND
POSSIBLE PROVISION OF SHAREHOLDER’S LOANS TO
PIER 16 – PROPERTY DEVELOPMENT LIMITED**

INTRODUCTION

On 11 May 2005, World Fortune and Joy Idea entered into the Agreement, pursuant to which World Fortune has agreed to acquire and Joy Idea has agreed to sell the Sale Shares and the Sale Loan at the Aggregate Consideration of HK\$99.25 million, which will be payable by World Fortune in cash upon the Completion.

* For identification purpose only

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As at the Latest Practicable Date, Pier 16 – Property Development was owned as to 51.00%, 24.50% and 24.50% by SJM-Investmentos, World Fortune and Joy Idea respectively. Immediately after the Completion, Pier 16 – Property Development will be owned as to 51.00%, 36.75% and 12.25% by SJM-Investmentos, World Fortune and Joy Idea respectively.

The purpose of this circular is to provide you with further information regarding, among other things, further details about the Agreement and the transactions contemplated thereunder and the possible provision of additional shareholder's loans to Pier 16 – Property Development, the financial information on the Group, the accountants' report on Pier 16 – Property Development, the pro forma financial information on the Enlarged Group and the Property Valuation.

THE AGREEMENT DATED 11 MAY 2005

Parties:

- (i) Joy Idea, as vendor, which is an Independent Third Party and is principally engaged in investment holding
- (ii) World Fortune, as purchaser, which is an indirect wholly-owned subsidiary of the Company

Assets to be acquired by World Fortune:

The assets to be acquired by World Fortune comprise the Sale Shares and the Sale Loan.

Subject to the terms and conditions of the Agreement, (i) Joy Idea shall sell the Sale Shares to World Fortune and World Fortune shall purchase the same free from all encumbrances for the Share Consideration; and (ii) Joy Idea shall sell and World Fortune shall purchase the Sale Loan free from all encumbrances for the Loan Consideration.

Conditions Precedent:

The Completion is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders approving the entering into of the Agreement and the performance of the transactions contemplated thereunder by World Fortune and the possible provision of additional shareholder's loans by World Fortune to Pier 16 – Property Development as a result of the Completion;
- (ii) all necessary consents and approvals (or waivers) having been obtained by the parties to the Agreement for completion of the transactions contemplated under the Agreement; and

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- (iii) Joy Idea's warranties, representations and undertakings as set out in the Agreement remaining true, accurate and not misleading.

World Fortune may in its absolute discretion at any time before the Completion waive the Condition Precedent set out in (iii) above by notice in writing to Joy Idea, and such waiver may be subject to such terms and conditions as determined by World Fortune.

If any of the Conditions Precedent has not been fulfilled (or waived by World Fortune in respect of (iii) above) on or before 31 July 2005 (or such later date to be agreed between World Fortune and Joy Idea), World Fortune or Joy Idea may terminate the Agreement by giving written notice to Joy Idea or World Fortune whereupon the Agreement shall from such date have no further force and effect and no party to the Agreement shall have any liability under them.

Consideration:

The Aggregate Consideration is HK\$99.25 million which comprises the Share Consideration of HK\$98 million and the Loan Consideration of HK\$1.25 million. The Aggregate Consideration shall be satisfied by World Fortune upon the Completion in cash.

Basis of consideration:

The Share Consideration of HK\$98 million was arrived at after arm's length negotiations between World Fortune and Joy Idea with reference to, among others, the Property Valuation provided by Savills (Hong Kong) Limited, an independent professional property valuer. Based on the results of the Property Valuation, the valuation of the Land Parcel was estimated to be HK\$890 million as at 6 May 2005, and the valuation of a 12.25% interest in the Land Parcel as at 6 May 2005 was equivalent to approximately HK\$109 million.

Savills has valued the Land Parcel by employing the residual method of valuation, by which (i) the gross development value of Ponte 16 (which includes the Land Parcel, a luxury hotel, a casino, shopping arcades, a cultural space and car parks) was arrived at on the assumption that Ponte 16 is newly completed and based on the details of the development schedules of Ponte 16 provided to Savills as at 6 May 2005; (ii) the total unexpended cost of development of Ponte 16 including construction costs, professional fees and other associated expenditures, together with an allowance for interest expense, and developer's profit were estimated and deducted from the gross development value to obtain the residual figure of the Land Parcel; and (iii) such resultant residual figure was then adjusted back to the valuation date to arrive at the open market value of the Land Parcel in its existing state.

The Share Consideration was arrived at with reference to the Property Valuation of HK\$890 million rather than the net assets value of Pier 16 – Property Development as at 31 December 2004 of approximately MOP9.9 million (equivalent to approximately HK\$9.6 million) since (i) the net assets of Pier 16 – Property Development as at 31 December 2004 only took into account the historical land

LETTER FROM THE BOARD

premium of the Land Parcel of approximately HK\$87 million, instead of its estimated existing market value; and (ii) the Property Valuation represented the estimated existing market value of the Land Parcel, which was the major asset of Pier 16 – Property Development as at 31 December 2004.

The Loan Consideration of HK\$1.25 million is equal to the face value of the Sale Loan, being 50% of the total amount of the shareholder’s loan provided by Joy Idea to Pier 16 – Property Development as at the Latest Practicable Date.

The Directors consider that the amount of Aggregate Consideration is fair and reasonable taking into account (i) the results of the Property Valuation; (ii) the potential prospects of the hotel and gaming businesses in Macau; and (iii) the potential enhancement and strengthening of the synergistic effect between the Group’s existing cruise and travel agency businesses and the hotel and gaming business of Ponte 16 as explained in the section headed “Information on Ponte 16” below.

The Completion:

Subject to all the Conditions Precedent being fulfilled (or waived), the Completion shall take place on the third business day after the fulfillment (or waiver) of all the Conditions Precedent or such other date as Joy Idea and World Fortune may agree in writing on which the Completion shall take place. World Fortune shall not be obliged to complete the purchases of the Sale Shares and the Sale Loan unless the purchases of the Sale Shares and the Sale Loan are completed simultaneously.

INFORMATION ON PIER 16 – PROPERTY DEVELOPMENT

Shareholding:

As at the Latest Practicable Date, Pier 16 – Property Development was owned as to 51.00%, 24.50% and 24.50% by SJM-Investmentos, World Fortune and Joy Idea respectively. Immediately after the Completion, Pier 16 – Property Development will be owned as to 51.00%, 36.75% and 12.25% by SJM-Investmentos, World Fortune and Joy Idea respectively.

Board composition:

As at the Latest Practicable Date, the board of directors of Pier 16 – Property Development consisted of five directors, of which three were nominated by SJM-Investmentos and two were nominated by World Fortune. Mr. Yeung Hoi Sing, Sonny, the chairman of the Company, was appointed as the director and chief executive officer of Pier 16 – Property Development and Mr. Lee Siu Cheung, an executive Director, was appointed as the director and project manager of Pier 16 – Property Development.

LETTER FROM THE BOARD

Scope of business and financial information:

Pier 16 – Property Development is principally engaged in the investment, development and operation of Ponte 16. Further information on Ponte 16 is set out in the section headed “Information on Ponte 16” below.

Based on the accountants’ report on Pier 16 – Property Development prepared in accordance with the generally accepted accounting principles in Hong Kong, (i) the audited net loss before and after taxation of Pier 16 – Property Development for the period from 20 February 2004 (date of incorporation) to 31 December 2004 amounted to approximately MOP89,000 (equivalent to approximately HK\$86,000); and (ii) the audited net assets value of Pier 16 – Property Development amounted to approximately MOP9.9 million (equivalent to approximately HK\$9.6 million) as at 31 December 2004. Your attention is drawn to the accountants’ report on Pier 16 – Property Development as set out in Appendix II to this circular.

Source of financing:

All investment amounts to be made by Pier 16 – Property Development for the development of Ponte 16 will be firstly financed by external loans to be arranged by Pier 16 – Property Development. If required by the provider of the external loans, the shareholders of Pier 16 – Property Development will provide guarantees on a several basis in proportion to their respective equity interests in Pier 16 – Property Development. If the external loans are insufficient to meet the funding requirement of Pier 16 – Property Development, the shareholders of Pier 16 – Property Development shall provide shareholders’ loans to Pier 16 – Property Development in proportion to their respective equity interests in Pier 16 – Property Development.

INFORMATION ON THE LAND PARCEL

According to the formal notice for the granting of the lease in respect of the Land Parcel on the “Macau Official Gazette” published on 14 February 2005, the Government of Macau has leased the Land Parcel to Pier 16 – Property Development for the development of a theme park construction project, namely Ponte 16, for a term of 25 years commencing from 14 February 2005 and renewable thereafter in accordance with the laws of Macau.

The Land Parcel:

The Land Parcel is a leasehold land with a total site area of approximately 23,066 square metres and is located at between Pier No. 12A to 20, Inner Harbour of Macau. According to development plan for Ponte 16, the total gross floor areas of any building or buildings erected or to be erected on the site shall be approximately 63,584 square metres.

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Land Premium:

The land premium of the Land Parcel payable by Pier 16 – Property Development amounted to MOP89,876,351 (equivalent to approximately HK\$87.26 million), of which:

- (i) MOP40,000,000 (equivalent to approximately HK\$38.83 million) has been paid to the Government of Macau;
- (ii) MOP46,791,351 (equivalent to approximately HK\$45.43 million) with the interest accrued thereon at a rate of 5% will be payable to the Government of Macau semi-annually through three equivalent installments of MOP16,383,391 (equivalent to approximately HK\$15.91 million). The first installment will be payable by Pier 16 – Property Development within six months after the date of the formal notice for the granting of the lease in respect of the Land Parcel being published on “Macau Official Gazette”, which is 14 February 2005; and
- (iii) MOP3,085,000 (equivalent to approximately HK\$3 million) will be satisfied by the construction of the No. 11A Pier, which will be located outside the Land Parcel, by Pier 16 – Property Development according to the construction specifications required by the Government of Macau.

The payment of the aforesaid land premium of MOP40 million (equivalent to approximately HK\$38.83 million) was financed by loans provided by the shareholders of Pier 16 – Property Development. As at 31 December 2004, the total shareholders’ loans amounted to approximately HK\$66.9 million, of which approximately HK\$61.9 million, HK\$2.5 million and HK\$2.5 million were contributed by SJM-Investmentos, World Fortune and Joy Idea respectively.

Payment of land rent:

A land rent at a rate of MOP12 (equivalent to approximately HK\$11.7) per square metres (or in aggregate MOP276,792 (equivalent to approximately HK\$268,730)) in respect of the Land Parcel is payable by Pier 16 – Property Development to the Government of Macau annually. Such land rent rate is subject to revision by the Government of Macau every five years from the date of the aforesaid formal notice in respect of the Land Parcel being published on “Macau Official Gazette”.

INFORMATION ON PONTE 16

Ponte 16 is a proposed theme park construction project being developed by Pier 16 – Property Development on the Land Parcel. According to the revised development plan by The Jerde Partnership, Inc., the design architects of Ponte 16 and an Independent Third Party, the buildings at Ponte 16 will resemble the design and construction style of architecture in Macau during the early-to-middle 20th century to enhance visitors’ understanding of the history and culture of Macau. In this regard, Ponte 16 has retained Macau Millennium College (being an Independent Third Party) as the historical reference

LETTER FROM THE BOARD

adviser. Ponte 16 will include a luxury hotel with 200 exquisitely equipped luxury guestrooms and 20 VIP mansions, a casino with not less than 150 gaming tables, shopping arcades, a cultural space and car parks, with an aggregate gross floor area amounts to approximately 63,584 square metres. Subject to the approval of the Government of Macau, the casino shall be operated and managed by SJM. The first phase of Ponte 16, which will include the casino, is expected to be completed by the end of 2006 and the whole of Ponte 16 is expected to be completed by the end of 2007 with expected total investment amounting to approximately HK\$1,000 million.

It has been agreed between 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 interests therein. Assuming no external loans can be borrowed by Pier 16 – Property Development, the maximum total amounts of shareholders' loans to be advanced by SJM-Investmentos, World Fortune and Joy Idea to Pier 16 – Property Development will be approximately HK\$1,000 million. On this basis and given that (i) World Fortune has already provided shareholder's loan in an amount of HK\$2,500,000; and (ii) World Fortune has agreed to purchase the Sale Loan of HK\$1,250,000 under the Agreement, World Fortune may have to further provide, by way of shareholder's loans, a maximum of approximately HK\$364 million as its pro rata sharing of 36.75% after the Completion to Pier 16 – Property Development.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENT

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

As stated in the annual report of the Company for the financial year ended 30 September 2004, the established strategies of the Group are to develop and strengthen tourists-related business including the further development of hotel and gaming businesses in Macau. The Group foresees a very positive market in Macau and is keen to identify suitable investment opportunities for further development in Macau, in particular, the hotel and gaming businesses, for the following major reasons:

- (i) it is expected by the Directors that, given clear strategies established by the Government of Macau to continuously develop Macau as a tourism and gaming, as well as an international MICE (Meetings, Incentives, Conferences, Exhibitions) and leisure destination, the prospects of the gaming industry, local tourism, hotel services and other related industries in Macau will be promising in the future;
- (ii) according to the statistics provided by the Government of Macau, (a) the Gross Domestic Product ("GDP") of Macau in 2004 was approximately MOP82.685 billion (equivalent to approximately HK\$80.277 billion), representing a growth rate of approximately 30.1% as compared with that in 2003; and (b) GDP per capita of Macau in 2004 was approximately MOP181,000 (equivalent to approximately HK\$176,000), representing an increase of approximately 26.8% as compared with that in 2003;

LETTER FROM THE BOARD

- (iii) following the execution of the Individual Visit Scheme that residents in certain selected cities of the PRC may apply to visit Macau and Hong Kong in their individual capacities without joining group tours as well as the liberalisation of Macau's gaming industry by the Government of Macau in 2002, Macau is poised to become the gaming, culture and leisure destination of choice for a significant part of the PRC and Southeast Asia's population. According to the Tourist Office of the Government of Macau, the total number of visitors arrived at Macau in 2004 amounted to approximately 16.67 million, representing an increase of approximately 40.3% as compared with that in 2003. Among the aforementioned 16.67 million visitors, over 87% of them came from the PRC and Hong Kong; and
- (iv) as a result of the proximity of Macau to Hong Kong, the hotel and gaming businesses in Macau are likely to benefit from the Disneyland to be opened in Hong Kong by the end of 2005, which is expected to attract many visitors from the PRC and the other parts of the world.

SJM-Investmentos, World Fortune and Joy Idea set up Pier 16 – Property Development in February 2004 by capital contributions of MOP8 million (equivalent to approximately HK\$7.77 million), MOP1 million (equivalent to approximately HK\$0.97 million) and MOP1 million (equivalent to approximately HK\$0.97 million) respectively, which represented 80%, 10% and 10% of the equity interests in Pier 16 – Property Development respectively. As referred to in the announcement dated 5 November 2004 and the circular dated 26 November 2004 both issued by the Company, each of World Fortune and Joy Idea acquired an additional 14.5% equity interest in Pier 16 – Property Development from SJM-Investmentos for a consideration of MOP1.45 million (or equivalent to approximately HK\$1.41 million), which was equal to the original capital contribution by SJM-Investmentos in respect of the 14.5% equity interest in Pier 16 – Property Development. Subsequent to the aforementioned acquisition, Pier 16 – Property Development is owned as to 51.00%, 24.50% and 24.50% by SJM-Investmentos, World Fortune and Joy Idea respectively.

The Directors consider that the further acquisition of a 12.25% equity interest in Pier 16 – Property Development will enable the Group to increase its participation and investment in the hotel and gaming businesses in Macau which have good potential business prospects and to increase the Group's share of the results from Pier 16 – Property Development which may result in the improvement of return of the Company to the Shareholders. Moreover, following the increase in the ownership of the Group in Pier 16 – Property Development, the synergistic effect (e.g. cross-marketing opportunities exist among the Group's cruise ship business, travel agency business and the hotel operations in Ponte 16) on the Group's existing cruise and travel agency businesses can be further enhanced and strengthened.

The Directors further consider that the terms of the Agreement are fair and reasonable, and the entering into of the Agreement and the possible provision of additional shareholder's loans by World Fortune to Pier 16 – Property Development are in the interests of the Group and the Shareholders as a whole.

The Aggregate Consideration and the possible provision of additional shareholder's loans by World Fortune to Pier 16 – Property Development will be financed by the Group's internal resources and external borrowings (if necessary).

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES

Reference is made to the guidelines issued by the Stock Exchange in relation to “Gambling Activities Undertaken by Listing Applicants and /or Listed Issuers” dated 11 March 2003 (the “Guidelines”). Under the Guidelines, if the Group is directly or indirectly engaged in gambling activities, the Group should ensure that the operation of such gambling activities should comply with the applicable laws in the areas where such activities operate and/or not contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the “Gambling Ordinance”). Should such operation (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules and the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares on the Stock Exchange. The Company will use its best endeavours to procure that the operation of Pier 16 – Property Development must (i) comply with the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance.

The Agreement and the transactions contemplated thereunder and the possible provision of additional shareholder’s loan to Pier 16 – Property Development constitute major transactions for the Company under Chapter 14 of the Listing Rules. Silver Rich Macau Development Limited and Spring Wise Investments Limited, being a closely allied group of Shareholders who were interested in approximately 38.68% and 16.57% of the issued share capital of the Company respectively as at the Latest Practicable Date, have approved the Agreement and the transactions contemplated thereunder and the possible provision of additional shareholder’s loans to Pier 16 – Property Development. Since no Shareholder is required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder and the possible provision of additional shareholder’s loans to Pier 16 – Property Development, the Company is not required to convene a Shareholders’ meeting to approve the Agreement and the transactions contemplated thereunder and the possible provision of additional shareholder’s loans to Pier 16 – Property Development pursuant to Rule 14.44 of the Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the financial information on the Group, the accountants’ report on Pier 16 – Property Development, the proforma financial information on the Enlarged Group, the Property Valuation and the general information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Macau Success Limited
Lee Siu Cheung
Executive Director

1. AUDITED FINANCIAL STATEMENTS

The following is a summary of the audited pro forma combined income statement of the Group for the two years ended 30 September 2004, the audited pro forma combined balance sheet of the Group as at 30 September 2003 and 30 September 2004, the audited pro forma combined statement of changes in equity of the Group for the two years ended 30 September 2004 and the audited pro forma combined cash flow statement of the Group for the two years ended 30 September 2004, together with accompanying notes extracted from the annual report of the Company for the year ended 30 September 2004:

Pro Forma Combined Income Statement

For the year ended 30 September 2004

	Notes	Continuing operations		Discontinued operations		Group	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	5	61,564	–	130,392	116,838	191,956	116,838
Cost of sales		(4,541)	–	(63,548)	(79,794)	(68,089)	(79,794)
Gross profit		57,023	–	66,844	37,044	123,867	37,044
Other revenue	5	4,219	210	440	97	4,659	307
		61,242	210	67,284	37,141	128,526	37,351
Selling expenses		–	–	(55,315)	(29,756)	(55,315)	(29,756)
Administrative expenses		(41,067)	(3,758)	(7,995)	(6,825)	(49,062)	(10,583)
Other operating expenses, net		(211)	(650)	–	–	(211)	(650)
Gain on disposal of subsidiaries		10	7,984	–	–	10	7,984
Waiver of other loans	6	4,036	36,180	–	–	4,036	36,180
Gain on disposal of discontinued operations	7	–	–	2,304	–	2,304	–
Profit from operations	9	24,010	39,966	6,278	560	30,288	40,526
Finance costs	10	(299)	(4,590)	(23)	(52)	(322)	(4,642)
Profit before taxation		23,711	35,376	6,255	508	29,966	35,884
Taxation	11	–	–	(642)	(167)	(642)	(167)
Profit after taxation		23,711	35,376	5,613	341	29,324	35,717
Minority interests		(12,671)	–	(1,211)	(7)	(13,882)	(7)
Net profit from ordinary activities attributable to shareholders	29	<u>11,040</u>	<u>35,376</u>	<u>4,402</u>	<u>334</u>	<u>15,442</u>	<u>35,710</u>
Earnings per share	13						
– Basic						<u>0.98 cents</u>	<u>9.0 cents</u>
– Diluted						<u>N/A</u>	<u>N/A</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Pro Forma Combined Balance Sheet***At 30 September 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>14</i>	95,980	6,346
Goodwill	<i>15</i>	1,069	5,633
Investment securities	<i>17</i>	3,471	–
Deferred tax assets	<i>26</i>	–	32
		<u>100,520</u>	<u>12,011</u>
CURRENT ASSETS			
Inventories	<i>18</i>	1,214	3,797
Trade receivables	<i>19</i>	1,502	19,480
Amount due from customers for contract work	<i>20</i>	–	3
Deposits, prepayment and other receivables		2,987	1,265
Pledged bank deposits		200	–
Cash and bank balances		31,126	47,358
		<u>37,029</u>	<u>71,903</u>
CURRENT LIABILITIES			
Amount due to customers for contract work	<i>20</i>	–	(7,637)
Trade payables	<i>21</i>	(136)	(16,309)
Other payables and accruals		(6,312)	(17,756)
Tax payable		–	(305)
Current portion of finance lease payable	<i>22</i>	–	(32)
Current portion of interest-bearing bank loan	<i>23</i>	–	(99)
Other borrowings	<i>24</i>	(1,652)	(10,470)
		<u>(8,100)</u>	<u>(52,608)</u>
NET CURRENT ASSETS		<u>28,929</u>	<u>19,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		129,449	31,306
NON-CURRENT LIABILITIES			
Finance lease payable	<i>22</i>	–	–
Interest-bearing bank loan	<i>23</i>	–	(901)
Loans from minority shareholders	<i>25</i>	(31,536)	–
		<u>(31,536)</u>	<u>(901)</u>
MINORITY INTERESTS		<u>(11,743)</u>	<u>(1,118)</u>
NET ASSETS		<u><u>86,170</u></u>	<u><u>29,287</u></u>
CAPITAL AND RESERVES			
Issued capital	<i>27</i>	15,875	14,903
Reserves	<i>29</i>	70,295	14,384
		<u>86,170</u>	<u>29,287</u>

Pro Forma Combined Statement of Changes in Equity*For the year ended 30 September 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Shareholders' equity brought forward			
– as previously reported		29,267	(95,204)
– effect on adoption of revised SSAP 12		20	(58)
		<hr/>	<hr/>
– as restated		29,287	(95,262)
Proceeds from issue of new shares		42,039	89,994
Costs on issue of new shares	29	(598)	(1,155)
Net profit for the year	29	15,442	35,710
		<hr/>	<hr/>
Shareholders' equity carried forward		<u>86,170</u>	<u>29,287</u>

Pro Forma Combined Cash Flow Statement*For the year ended 30 September 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		203,149	115,528
Cash paid to suppliers and employees		(185,291)	(115,484)
		<hr/>	<hr/>
Cash generated from operations		17,858	44
Interest paid		(322)	(771)
Tax paid		(14)	(507)
Others		(8,979)	(510)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		8,543	(1,744)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(96,550)	(2,770)
Payment for investment securities		(3,471)	–
Interest received		178	77
Collection of an exchange note		–	32,370
Increase in pledged bank deposits		(200)	–
Acquisition of a subsidiary	<i>30</i>	2,313	–
Disposal of subsidiaries	<i>31</i>	160	73
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(97,570)	29,750
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary share		42,039	89,994
Cost on issue of new shares		(598)	(1,155)
Other borrowings raised		–	27,925
Capital element of finance lease rental payments		(32)	(112)
Loans from minority shareholders		31,536	–
Repayment of bank loan		(150)	(95)
Repayment of other borrowings		–	(101,979)
		<hr/>	<hr/>
Net cash generated from financing activities		72,795	14,578
(Decrease)/increase in cash and cash equivalents		(16,232)	42,584
Cash and cash equivalents at beginning of year		47,358	4,774
		<hr/>	<hr/>
Cash and cash equivalents at end of year		31,126	47,358
		<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents			
Cash and bank balances		31,126	47,358
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 30 September 2004

1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Company was incorporated as an exempted company with limited liability in Bermuda on 27 May 2004 under the Companies Act (1981) of Bermuda. Comparative amounts have not been presented for the Company's balance sheet because the Company did not exist as at 30 September 2003.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

Basis of presentation

The Group Reorganisation, as further detailed in note 2 to the financial statements, involved companies which are under common control. As the Group Reorganisation took place on 8 November 2004, according to the Hong Kong Statement of Standard Accounting Practice No. 27, "Accounting for Group Reconstructions", the Company together with its subsidiaries should be regarded and accounted for as a continuing group in preparation of the Group's financial statements commencing for the year ending 30 September 2005. However, for the benefit of keeping the shareholders apprised, pro forma combined financial statements for the current year and the related notes thereto have been presented in these financial statements as if the Group Reorganisation took place during the year ended 30 September 2004 and therefore the Company is treated as the holding company of its subsidiaries for the financial years presented. The pro forma combined results of the Group for the years ended 30 September 2003 and 2004 include the results of the Company and its subsidiaries with effect from 1 October 2002 or since their respective dates of incorporation or establishment, where there was a shorter period. The pro forma combined balance sheets as at 30 September 2003 and 2004 have been prepared on the basis as if the current Group structure had already been in place at these dates.

Although the Group Reorganisation was not completed prior to, and, accordingly, the Group did not legally exist until 8 November 2004, in the opinion of the directors of the Company, the presentation of such pro forma combined financial statements prepared on the aforesaid basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

2. GROUP REORGANISATION AND CORPORATE UPDATE

The Group had a consolidated net profit of HK\$15,442,000 (2003: HK\$35,710,000) for the year ended 30 September 2004 and as at that date, the Group had retained profits of HK\$14,869,000 (2003: accumulated losses of HK\$361,092,000), which gave rise to net assets of HK\$86,170,000 (2003: HK\$29,287,000).

Macau Success (Hong Kong) Limited (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") put forward a group reorganisation (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 and became effective on 8 November 2004, the following events took place:

- i) simultaneously 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 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.

3. PRINCIPAL ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in Hong Kong, and comply with the statements of standard accounting practice (“SSAP”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The pro forma combined financial statements of the Group have been presented on the basis as set out in notes 1 and 2 above. They are prepared under the historical cost convention.

In the current year, the Group has adopted, for the first time, SSAP 12 (revised) “Income taxes” which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

- (i) deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- (ii) the disclosure of related notes are now more extensive than previously required. The disclosures are presented in notes 11 and 26 to the financial statements and include a reconciliation between the accounting profit and tax expense for the year.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 29 to the financial statements, opening accumulated losses at 1 October 2002 and 2003 have been increased by approximately HK\$58,000 and reduced by approximately HK\$20,000, respectively, which represent the unprovided net deferred tax liabilities and assets. This change has resulted in a recognition of deferred tax assets of approximately HK\$32,000 at 30 September 2003. The profit for the year ended 30 September 2003 have been reduced by approximately HK\$78,000.

b) Basis of Combination

The pro forma combined financial statements include the financial statements of the Company and its subsidiaries made up to 30 September.

The results of the subsidiary acquired or disposed of during the year are included in the pro forma combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on combination.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the pro forma combined income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

c) Subsidiaries

A subsidiary is a company in which the Group or the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Group or the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the pro forma combined financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the pro forma combined balance sheet at fair value with changes in fair value recognised in the pro forma combined income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the pro forma combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following basis:

- (i) cruise leasing income is recognised on an accrual basis in accordance with the terms of the leasing agreement.
- (ii) cruise management fee income and revenue from travel agent services is recognised when the management fee services and travel agent services are rendered.
- (iii) revenue from construction contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where a profitable outcome can be prudently foreseen and is measured by reference to the production of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when identified.
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

e) Trade Receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

f) Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising from acquisition is recognised in the pro forma combined balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised/has not been recognised in the pro forma combined income statement and relevant reserves, as appropriate. Any attributable goodwill previously eliminated against the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

g) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset. Overhauling expenses to extend the useful lives of old assets are, therefore, capitalised and depreciated over the period of the extended useful lives.

Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis at the following annual rates:

Leasehold land and buildings	Over lease terms
Leasehold improvements	Over lease terms
Cruise	5%
Motor vehicles	30% – 33 $\frac{1}{3}$ %
Plant and machinery	20%
Furniture, fittings and office equipment	20% – 33 $\frac{1}{3}$ %

The gain or loss arising from the disposal or retirement of the asset is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the pro forma combined income statement.

h) Assets under Leases

(i) Finance leases

At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(i) to the financial statements.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under such operating leases are charged to the income statement on the straight-line basis over the periods of the respective leases.

i) Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) *Reversal of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

j) Investment Securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. The impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

k) Related Parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost include cost of purchase of materials computed using the first-in, first-out formula, and in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Cash Equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were generally within three months of maturity when acquired. Cash equivalents also represent assets similar in nature to cash, which are not restricted as to use; and include bank overdrafts and advances from banks repayable within three months from the date of the advance.

n) Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an assets or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

o) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On combination, the financial statements of subsidiaries, operating in overseas are translated into Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

p) Employee Benefits

(i) Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in independently administrated funds. The Group's employer contributions vest fully with the employees when contributed to the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

(ii) *Share option schemes*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under these share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in share premium account. Options which are cancelled prior to their exercise dates, or which lapse, are deleted from their registers of outstanding options.

q) Construction Contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the total cost of work certified to date to the estimated total contract cost for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

r) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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:

- a) cruise leasing and management business;
- b) travel business;
- c) investment holding;
- d) construction services (discontinued); and
- e) retail business (discontinued).

a) Business segments

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

GROUP

	For the year ended 30 September 2004							Group HK\$'000
	Continuing operations				Discontinued operations			
	Cruise leasing and management HK\$'000	Travel HK\$'000	Investment holding HK\$'000	Subtotal HK\$'000	Construction services HK\$'000	Retail HK\$'000	Subtotal HK\$'000	
	<i>Notes (i) and (ii)</i>							
Segment revenue:								
Turnover	57,753	3,811	–	61,564	25,047	105,345	130,392	191,956
Other revenue	–	1	4,047	4,048	–	433	433	4,481
Total revenue	<u>57,753</u>	<u>3,812</u>	<u>4,047</u>	<u>65,612</u>	<u>25,047</u>	<u>105,778</u>	<u>130,825</u>	<u>196,437</u>
Segment results	<u>28,155</u>	<u>(605)</u>	<u>(3,712)</u>	<u>23,838</u>	<u>78</u>	<u>6,194</u>	<u>6,272</u>	30,110
Interest income								178
Profit from operations								30,288
Finance costs								(322)
Profit before taxation								29,966
Taxation								(642)
Profit after taxation								29,324
Minority interests								(13,882)
Net profit from ordinary activities attributable to shareholders								<u>15,442</u>
Segment assets	100,469	1,007	36,073	137,549	–	–	–	137,549
Segment liabilities	<u>(35,825)</u>	<u>(138)</u>	<u>(3,673)</u>	<u>(39,636)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(39,636)</u>
Other segment information:								
Depreciation	4,088	14	605	4,707	198	443	641	5,348
Amortisation of goodwill	66	–	–	66	–	145	145	211
Capital expenditure	<u>96,062</u>	<u>99</u>	<u>303</u>	<u>96,464</u>	<u>86</u>	<u>–</u>	<u>86</u>	<u>96,550</u>

Notes:

- (i) On 9 December 2003, Access Success Developments Limited (“Access Success”), a wholly owned subsidiary of the Company, together with two independent third parties (the “Purchasers”) entered into a conditional agreement to respectively acquire 55%, 30% and 15% interest in a cruise ship and inventories for a total consideration of approximately HK\$94.6 million of which HK\$52 million was paid by Access Success for its share of interest. On the same date, the Purchasers entered into a memorandum to lease the cruise ship and inventories to a cruise operator (“Cruise Operator”) for a period of 36 months commencing from the date of delivery of the cruise ship by the Purchasers to the Cruise Operator. Details of the transaction were set out in the circular dated 24 December 2003 issued by the Company. The transaction was completed on 12 January 2004.
- (ii) 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 ship 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 of approximately HK\$1,135,000 will be amortised on a straight-line basis over 10 years.

GROUP

	For the year ended 30 September 2003				Group HK\$'000
	Continuing operations Investment holding HK\$'000	Discontinued operations			
		Construction services HK\$'000	Retail HK\$'000	Subtotal HK\$'000	
Segment revenue:					
Turnover	–	60,481	56,357	116,838	116,838
Other revenue	142	–	88	88	230
Total revenue	<u>142</u>	<u>60,481</u>	<u>56,445</u>	<u>116,926</u>	<u>117,068</u>
Segment results	<u>39,888</u>	<u>582</u>	<u>(21)</u>	<u>561</u>	40,449
Interest income					<u>77</u>
Profit from operations					40,526
Finance costs					<u>(4,642)</u>
Profit before taxation					35,884
Taxation					<u>(167)</u>
Profit after taxation					35,717
Minority interests					<u>(7)</u>
Net profit from ordinary activities attributable to shareholders					<u>35,710</u>
Segment assets	50,293	27,800	5,821	33,621	83,914
Segment liabilities	<u>25,105</u>	<u>25,378</u>	<u>3,026</u>	<u>28,404</u>	<u>53,509</u>
Other segment information:					
Depreciation	98	317	994	1,311	1,409
Amortisation of goodwill	–	414	237	651	651
Capital expenditure	<u>1,802</u>	<u>748</u>	<u>220</u>	<u>968</u>	<u>2,770</u>

b) Geographical segments

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

	For the year ended 30 September 2004				
	Continuing operations			Discontinued operations	
	South China Sea, other than in Hong Kong <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment revenue:					
Turnover	57,753	3,811	61,564	130,392	191,956
Segment results	<u>28,155</u>	<u>(4,317)</u>	<u>23,838</u>	<u>6,272</u>	<u>30,110</u>
Segment assets	100,469	37,080	137,549	–	137,549
Capital expenditure	<u>96,062</u>	<u>402</u>	<u>96,464</u>	<u>86</u>	<u>96,550</u>

	For the year ended 30 September 2003				
	Continuing operations			Discontinued operations	
	South China Sea, other than in Hong Kong <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment revenue:					
Turnover	–	–	–	116,838	116,838
Segment results	<u>–</u>	<u>39,888</u>	<u>39,888</u>	<u>561</u>	<u>40,449</u>
Segment assets	–	50,293	50,293	33,621	83,914
Capital expenditure	<u>–</u>	<u>1,802</u>	<u>1,802</u>	<u>968</u>	<u>2,770</u>

5. TURNOVER AND OTHER REVENUE

The analysis of the Group's turnover by principal activities are as follows:

	Continuing operations		Discontinued operations		Group	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)
Turnover						
Cruise leasing and management fee income	57,753	–	–	–	57,753	–
Travel agent service fee income	3,811	–	–	–	3,811	–
Construction, equipment rental and services income	–	–	25,047	60,481	25,047	60,481
Retail business	–	–	105,345	56,357	105,345	56,357
	<u>61,564</u>	<u>–</u>	<u>130,392</u>	<u>116,838</u>	<u>191,956</u>	<u>116,838</u>
Other revenue						
Interest income	171	68	7	9	178	77
Write back of provision for bad debts	–	–	–	56	–	56
Rental income	–	–	82	–	82	–
Commission income	1	–	–	–	1	–
Waiver of promissory note	119	–	–	–	119	–
Write back of provision for litigation	2,075	–	–	–	2,075	–
Forfeiture of dividends	87	–	–	–	87	–
Write off of trade and other payables	1,766	–	–	–	1,766	–
Others	–	142	351	32	351	174
	<u>4,219</u>	<u>210</u>	<u>440</u>	<u>97</u>	<u>4,659</u>	<u>307</u>

6. WAIVER OF OTHER LOANS

On 29 June 2004, MSHK entered into a deed of assignment with a creditor whereas the creditor agreed to accept as full settlement of the outstanding balance of approximately HK\$5,736,000 by accepting payment of HK\$1,700,000 by the Group. As a result, the Group recorded a gain of approximately HK\$4,036,000.

On 25 July 2003, MSHK entered into a deed of settlement with the lenders of other loans whereas the lenders agreed to accept as full settlement of the outstanding loans of approximately HK\$56,180,000 by accepting payment of HK\$20,000,000 by MSHK. As a result, the Group recorded a gain on waiver of loans of approximately HK\$36,180,000.

7. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

On 12 March 2004, Orient Prize Holdings Inc. (“Orient Prize”), a wholly-owned subsidiary, entered into an agreement to dispose of a 60% owned subsidiary, namely Marcello (Tax Free) International Department Store Corporation Limited (“Marcello”) for a consideration of HK\$8,200,000 (the “Marcello Disposal”). The consideration of HK\$3,350,000 was settled in cash by the purchaser. The Group directed the purchaser to pay on behalf of the Group the balance of consideration of HK\$4,850,000 to a promissory note holder as full and final settlement of the outstanding promissory note of approximately HK\$4,896,000. The Marcello Disposal was completed on 29 June 2004.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

On 26 March 2004, Orient Prize entered into another agreement to dispose of a wholly-owned subsidiary, namely Fine Lord Construction Company Limited (“Fine Lord”) to Mr. Chan Chung Chiu, a director of Fine Lord (“Mr. Chan”) for a consideration of HK\$5,800,000 (the “Fine Lord Disposal”). The consideration was settled by way of Mr. Chan releasing 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\$5,873,000. The Fine Lord Disposal was completed on 26 March 2004. The Fine Lord Disposal constituted a connected transaction, the details of which were set out in the announcement issued by MSHK on 31 March 2004.

The sales, results, cash flows and net assets of Fine Lord and Marcello were as follows:

	Marcello (Note)		Fine Lord (Note)	
	Nine months ended 30 June 2004	Year ended 30 September 2003	Period ended 26 March 2004	Year ended 30 September 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	105,345	54,299	25,047	60,481
Cost of sales	(40,225)	(19,296)	(23,322)	(58,347)
Gross profit	65,120	35,003	1,725	2,134
Other revenue	432	78	7	8
Selling and distribution expenses	(55,315)	(29,756)	–	–
Administrative expenses	(6,563)	(4,460)	(1,432)	(1,560)
Profit from operations	3,674	865	300	582
Finance costs	(3)	(10)	(20)	(43)
Profit before taxation	3,671	855	280	539
Taxation	(642)	(162)	–	(5)
Profit after taxation	3,029	693	280	534
Minority interests	(1,211)	(277)	1	4
Net profit	<u>1,818</u>	<u>416</u>	<u>281</u>	<u>538</u>

Note: Not audited by CCIF CPA Limited.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Marcello		Fine Lord	
	Nine months ended 30 June 2004 HK\$'000	Year ended 30 September 2003 HK\$'000	Period ended 26 March 2004 HK\$'000	Year ended 30 September 2003 HK\$'000
Net operating cash inflow/(outflow)	(4,027)	884	698	1,686
Net investing cash outflow	–	(37)	(61)	(739)
Net financing cash inflow/(outflow)	2,057	(96)	(1)	25
Total net cash inflow/(outflow)	<u>(1,970)</u>	<u>751</u>	<u>636</u>	<u>972</u>
	30 June 2004 HK\$'000	30 September 2003 HK\$'000	26 March 2004 HK\$'000	30 September 2003 HK\$'000
Non-current assets	542	946	3,615	3,726
Current assets	13,489	4,875	12,434	24,069
Total assets	14,031	5,821	16,049	27,795
Total liabilities	<u>(8,207)</u>	<u>(3,026)</u>	<u>(13,351)</u>	<u>(25,377)</u>
Net assets	<u>5,824</u>	<u>2,795</u>	<u>2,698</u>	<u>2,418</u>
Net assets sold	(3,494)		(2,698)	
Goodwill	<u>(2,171)</u>		<u>(3,317)</u>	
	(5,665)		(6,015)	
Disposal consideration	8,200		5,800	
Disposal expenses	<u>(16)</u>		<u>–</u>	
Gain/(loss) on disposal of discontinued operations	<u>2,519</u>		<u>(215)</u>	
The net cash inflow on disposal is determined as follows:				
Cash proceeds from disposals	3,350		–	
Less: Cash and bank balances disposed of with the subsidiaries	(474)		(5,006)	
Bank overdraft disposed of with the subsidiaries	<u>2,206</u>		<u>100</u>	
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	<u>5,082</u>		<u>(4,906)</u>	

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

a) Directors' remuneration

Directors' remuneration is disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	749	609
Retirement benefit scheme contributions	22	11
	<u>771</u>	<u>620</u>

Other emoluments disclosed above include approximately HK\$203,000 (2003: HK\$75,000) paid to non-executive and independent non-executive directors. None of the directors have waived the right to receive their emoluments.

The remuneration of the directors falls within the following bands:

	Number of directors	
	2004	2003
HK\$		
0 – 1,000,000	<u>7</u>	<u>12</u>

b) Five highest paid employees

One of the directors was among the five highest paid employees during the year (2003: four).

The details of the remuneration of the five highest paid employees during the year, including the director, are disclosed as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,714	2,230
Retirement benefit scheme contributions	90	60
	<u>1,804</u>	<u>2,290</u>

The remuneration falls within the following bands:

	Number of individuals	
	2004	2003
HK\$		
0 – 1,000,000	<u>5</u>	<u>5</u>

9. PROFIT FROM OPERATIONS

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

	Continuing operations		Discontinued operations		Group	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of goodwill	211	757	–	–	211	757
Auditors' remuneration	436	406	42	22	478	428
Depreciation:						
Owned fixed assets	4,707	97	641	1,235	5,348	1,332
Assets held under finance lease	–	–	–	77	–	77
Operating lease rentals:						
Land and buildings	813	56	850	648	1,663	704
Plant and machinery	–	–	53	971	53	971
Provision for other receivables	–	–	335	–	335	–
Exchange gain	(208)	–	–	–	(208)	–
Loss on disposal of fixed assets, net	–	9	–	–	–	9
Staff cost (including contribution of Mandatory Provident Fund of HK\$339,000) (2003: HK\$633,000)	16,321	273	2,429	17,319	18,750	17,592
	<u>16,321</u>	<u>273</u>	<u>2,429</u>	<u>17,319</u>	<u>18,750</u>	<u>17,592</u>

10. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest expenses on:		
Other borrowings wholly repayable within five years	299	4,590
Finance leases	3	10
Bank loans and overdraft wholly repayable within five years	20	42
	<u>322</u>	<u>4,642</u>

11. TAXATION

No provision for Hong Kong profits tax has been made since the Company did not generate any assessable profits during the period.

The amount of taxation charged to the pro forma combined income statement represents:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax		
– Charge for the year	681	291
– Underprovision in prior year	–	5
	<u>681</u>	<u>296</u>
Deferred taxation relating to the origination and reversal of temporary differences	(39)	(138)
Deferred taxation resulting from an increase in tax rate	–	9
	<u>642</u>	<u>167</u>

A reconciliation between tax expense and accounting profit at applicable tax rate is as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>29,966</u>	<u>35,884</u>
Calculated at a tax rate of 17.5%	5,244	6,280
Tax effect of non-deductible items for tax purposes	1,908	1,542
Tax effect of non-taxable income	(7,638)	(7,804)
Tax effect of unrecognised tax losses	1,513	222
Unrecognised temporary differences	(341)	(25)
Tax effect on utilisation of previously unrecognised tax losses	(44)	(62)
Deferred tax effect on increase in tax rate	–	9
Underprovision in prior year	–	5
Tax charge	<u>642</u>	<u>167</u>

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.

Taxation in the pro forma combined balance sheet represents provision for taxation of the current and prior years less the amount of tax paid.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period ended 30 September 2004 dealt with in the financial statements of the Company amounted to approximately HK\$15,000.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the pro forma combined net profit from ordinary activities attributable to shareholders of approximately HK\$15,442,000 (2003: HK\$35,710,000) and on the pro forma weighted average of 1,575,214,000 (2003: 394,033,000) ordinary shares deemed to have been issued during the year.

There was no dilution effect on the basic earnings per share for the years ended 30 September 2004 and 2003, and accordingly, no pro forma diluted earnings per share has been presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Cruise improvements <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fittings and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group							
Cost							
At 1/10/2003	2,327	–	1,991	1,207	1,795	664	7,984
Acquisition of a subsidiary	–	–	472	829	1,296	–	2,597
Additions	–	93,600	145	1,279	1,296	230	96,550
Disposal of subsidiaries	(2,327)	–	(413)	(1,294)	(1,571)	(664)	(6,269)
At 30/9/2004	–	93,600	2,195	2,021	2,816	230	100,862
Accumulated depreciation							
At 1/10/2003	60	–	98	457	771	252	1,638
Acquisition of a subsidiary	–	–	10	25	45	–	80
Charge for the year	26	3,510	600	373	693	146	5,348
Disposal of subsidiaries	(86)	–	(14)	(574)	(1,157)	(353)	(2,184)
At 30/9/2004	–	3,510	694	281	352	45	4,882
Net book value							
At 30/9/2004	–	90,090	1,501	1,740	2,464	185	95,980
At 30/9/2003	2,267	–	1,893	750	1,024	412	6,346

At 30 September 2003, motor vehicles with net book value of approximately HK\$107,000 were held under finance leases.

The Group's leasehold land and buildings were situated in Hong Kong and held under medium term lease. At 30 September 2003, the leasehold land and buildings were pledged to secure a bank loan granted to a subsidiary.

15. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1/10/2003	7,041
Acquisition of a subsidiary	1,135
Disposal of subsidiaries	(7,041)
	<hr/>
At 30/9/2004	1,135
	<hr/>
Accumulated amortisation	
At 1/10/2003	1,408
Charge for the year	211
Disposal of subsidiaries	(1,553)
	<hr/>
At 30/9/2004	66
	<hr/>
Net book value	
At 30/9/2004	1,069
	<hr/> <hr/>
At 30/9/2003	5,633
	<hr/> <hr/>

16. INTEREST IN SUBSIDIARIES

Particulars of the principal subsidiaries acquired by the Company pursuant to the Group Reorganisation are as follows:

Name of company	Attributable interest		Place of incorporation/ operations	Nominal value of issued share capital	Principal activities
	to the Company %	to the Group %			
Macau Success (Hong Kong) Limited (formerly known as "Macau Success Limited")	100	100	Hong Kong	HK\$100,000	Investment holding
Orient Prize Holdings Inc.	–	100	British Virgin Islands/ Hong Kong	US\$100	Investment holding
Access Success Developments Limited	–	100	British Virgin Islands	US\$1	Investment holding
Capture Success Limited*	–	55	British Virgin Islands/ South China Sea, other than in Hong Kong	US\$100	Cruise leasing
Hover Management Limited*	–	55	Hong Kong/ South China Sea, other than in Hong Kong	HK\$100	Provision of cruise management services
Macau Success Management Services Limited	–	100	Hong Kong	HK\$100	Provision of administration services
Travel Success Limited	–	100	Hong Kong	HK\$500,000	Travel agency
Top Region Assets Limited	–	100	British Virgin Islands	US\$1	Dormant
Precise Innovation Limited	–	100	British Virgin Islands	US\$1	Dormant
Golden Sun Profits Limited	–	100	British Virgin Islands	US\$1	Dormant
World Fortune Limited	–	100	Hong Kong	HK\$100	Investment holding
Ace Horizon Limited	–	100	British Virgin Islands	US\$1	Dormant

* Not audited by CCIF CPA Limited

17. INVESTMENT SECURITIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	971	–
Due from the investee company	2,500	–
	<u>3,471</u>	<u>–</u>

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

On 13 January 2004, a wholly-owned subsidiary, namely World Fortune Limited (“World Fortune”) subscribed 10% shares of a company incorporated in Macau, namely Pier 16 – Property Development Limited (“Pier 16 – Property Development”) for a consideration of MOP\$1,000,000 (equivalent to approximately HK\$971,000).

On 5 November 2004, World Fortune acquired an additional 14.5% issued share capital of Pier 16 – Property Development at a consideration of MOP\$1,450,000 (equivalent to approximately HK\$1,408,000). Upon completion of the acquisition, Pier 16 – Property Development became an associate of the Group.

18. INVENTORIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fuel oil	1,214	–
Merchandised goods	–	3,797
	<u>1,214</u>	<u>3,797</u>

There is no inventory stated at net realisable value.

19. TRADE RECEIVABLES

The Group normally allows a credit period of 30 days (2003: 60 days). An analysis of trade receivables is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	1,454	8,464
31 to 60 days	45	3,936
61 to 90 days	2	1,748
Over 90 days	1	–
Retention receivable	–	5,332
	<u>1,502</u>	<u>19,480</u>

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2004	Group	2003
	<i>HK\$'000</i>		<i>HK\$'000</i>
Contract costs incurred plus attributable profits	–		33,349
Less: Progress billings	–		(40,983)
	<u>–</u>		<u>(7,634)</u>
	<u>–</u>		<u>(7,634)</u>
Representing:			
Amounts due from contract customers	–		3
Amounts due to contract customers	–		(7,637)
	<u>–</u>		<u>(7,634)</u>
	<u>–</u>		<u>(7,634)</u>

At 30 September 2003, retention receivable for contracts in progress amounting to approximately HK\$5,332,000 has been included in trade receivables.

21. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	2004	Group	2003
	<i>HK\$'000</i>		<i>HK\$'000</i>
Current to 30 days	136		6,514
31 – 60 days	–		1,517
61 – 90 days	–		–
Over 90 days	–		5,526
Retention payable	–		2,752
	<u>136</u>		<u>16,309</u>
	<u>136</u>		<u>16,309</u>

22. FINANCE LEASE PAYABLE

	Group			
	2004		2003	
	Minimum lease payments <i>HK\$'000</i>	Present value of minimum lease payments <i>HK\$'000</i>	Minimum lease payments <i>HK\$'000</i>	Present value of minimum lease payments <i>HK\$'000</i>
Within one year	–	–	35	32
After one year but within two years	–	–	–	–
	–	–	35	32
Future finance charges on finance leases	–	–	(3)	–
Present value of finance lease obligations	–	–	32	32

23. INTEREST-BEARING BANK LOAN

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Secured bank loan repayable		
Within one year or on demand	–	99
In the second year	–	103
In the third to fifth years, inclusive	–	333
After fifth year	–	465
	–	1,000
Portion classified as current liabilities	–	(99)
Non-current portion	–	901

24. OTHER BORROWINGS

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Promissory notes		
Repayable within one year	–	10,470
Other loan		
Repayable within one year	1,652	–
	1,652	10,470

The promissory notes were unsecured, bearing interest at 5% per annum and repayable in June 2004. The other loan was unsecured, bearing interest at 2% per annum and repayable in September 2005.

25. LOANS FROM MINORITY SHAREHOLDERS

The loans are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the loans will not be repaid within the next twelve months.

26. DEFERRED TAX ASSETS/LIABILITIES**(a) Recognised deferred tax (assets)/liabilities**

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2003: 17.5%). The movement of deferred tax (assets)/liabilities during the year is as follows:

	Accelerated depreciation allowance	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	(32)	97
Charged to the pro forma combined income statement	(39)	(129)
Disposal of a subsidiary	71	–
	<u> </u>	<u> </u>
At end of the year	<u> </u> –	<u> </u> (32)

(b) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through utilisation against future taxable profits is probable. At 30 September 2004, the Group has tax losses of approximately HK\$46 million (2003: HK\$38 million) that are available to carry forward indefinitely for offsetting against future taxable profits.

27. ISSUED CAPITAL

	2004
	<i>HK\$'000</i>
Authorised:	
10,000,000 ordinary shares of HK\$0.01 each	<u> </u> 100
Issued and nil paid:	
10,000,000 ordinary shares of HK\$0.01 each	<u> </u> –

The change in the Company authorised and issued share capital which took place during the period from 27 May 2004 (date of incorporation) to 8 November 2004, are as follows:

- a. On incorporation, the authorised 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 authorised 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 2 to the 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.

For the purpose of the preparation of the pro forma combined financial statements of the Group, these shares are deemed to have been in issue since 1 October 2002 and as if the current Group structure had been in existence since that date. Accordingly, the share capital as at 30 September 2004 and 2003 presented in the pro forma combined balance sheet of the Group represents the issued share capital of the Company after the issue of shares above.

	Number of shares authorised	Number of shares issued	Par value of issued share capital <i>HK\$'000</i>
Share issued on incorporation	–	–	–
On 18 June 2004	10,000,000	10,000,000	100
On 8 November 2004	159,990,000,000	–	–
Share issued as consideration for the acquisition of MSHK	–	1,577,464,233	15,775
	<u>160,000,000,000</u>	<u>1,587,464,233</u>	<u>15,875</u>

28. SHARE OPTION SCHEME

a) New Scheme

On 20 August 2004, the Company adopted a share option scheme (the “New Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the New Scheme include the Company’s directors and other employees of the Group. The New Scheme became effective on 8 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the New Scheme, the directors of the Company are authorised at their absolute discretion, to invite any employee, executive or officer of any member of the Group or any entity in which the Group holds any equity interest (including the executive and non-executive directors) and any vendor, supplier, consultant, agent, adviser or customer who is eligible to participate in the New Scheme, to take up options to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares in issue as at the date of adoption of the New Scheme.

The Company may seek approval of the shareholders in general meeting for refreshing the 10 per cent limit under the New Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company under the limit as “refreshed” shall not exceed 10 per cent. of the total number of shares in issue as at the date of approval of the limit. Options previously granted under the New Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the other scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.

Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of shares in issue.

The exercise price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) trading days immediately preceding the offer date; and (iii) the nominal value of a share.

The offer of a grant of share options must be accepted not later than 28 days after the date of the offer, upon payment of a considerations of HK\$1 by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such period shall not be more than a period of ten years from the date upon which the share options are granted or deemed to be granted and accepted.

As at the balance sheet date, no share options has been granted under the New Scheme since its adoption.

b) Old Scheme

MSHK operates a share option scheme (the “Old Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Old Scheme include MSHK’s directors and other employees of the Group. The Old Scheme became effective on 7 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the Old Scheme, the directors of MSHK are authorised at their absolute discretion, to invite employee, including any director of MSHK or any of its subsidiaries, to take up options to subscribe for shares in MSHK.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Old Scheme and any other share option schemes of MSHK shall not in aggregate exceed 10 per cent. of the total number of shares in issue as at the date of adoption of the Old Scheme.

MSHK may seek approval of the shareholders in general meeting for refreshing the 10 per cent. limit under the Old Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Old Scheme and any other share option schemes of MSHK under the limit as “refreshed” shall not exceed 10 per cent. of the total number of shares in issue as at the date of approval of the limit. Options previously granted under the Old Scheme or any other share option schemes of MSHK (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Old Scheme or any other share option schemes of MSHK) will not be counted for the purpose of calculating the limit as “refreshed”.

Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Scheme and any other share option schemes of MSHK must not exceed 30 per cent. of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of shares in issue.

The subscription price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer but in any case the subscription price shall not be lower than the highest of (i) the closing price of the shares as stated in the Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock's daily quotations sheets for the five (5) trading days immediately preceding the offer date; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a considerations of HK\$1 by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such period shall not be more than a period of ten years from the date of offer.

On 27 September 2004, MSHK resolved to terminate the Old Scheme. No share options had been granted under the Old Scheme since its adoption.

29. RESERVES

Group

	Share premium	Distributable reserve	Capital reserve	Capital redemption reserve	Retained profits/ losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2002						
– as previously reported	299,073	–	(6,819)	976	(991,510)	(698,280)
– effect on adoption of revised SSAP 12	–	–	–	–	(58)	(58)
– Unamortised goodwill reclassified as intangible assets	–	–	6,819	–	–	6,819
– as restated	299,073	–	–	976	(991,568)	(691,519)
Capital reduction	–	–	–	–	594,766	594,766
Subscription of new shares	59,566	–	–	–	–	59,566
Placing of new shares	17,016	–	–	–	–	17,016
Share issuance cost	(1,155)	–	–	–	–	(1,155)
Net profit for the year	–	–	–	–	35,710	35,710
At 30 September 2003	<u>374,500</u>	<u>–</u>	<u>–</u>	<u>976</u>	<u>(361,092)</u>	<u>14,384</u>
At 1 October 2003						
– as previously reported	374,500	–	–	976	(361,112)	14,364
– effect on adoption of revised SSAP 12	–	–	–	–	20	20
– as restated	374,500	–	–	976	(361,092)	14,384
Placing of new shares	41,067	–	–	–	–	41,067
Share issuance costs	(598)	–	–	–	–	(598)
Transfer pursuant to the Group Reorganisation	(414,969)	54,450	–	–	360,519	–
Net profit for the year	–	–	–	–	15,442	15,442
At 30 September 2004	<u>–</u>	<u>54,450</u>	<u>–</u>	<u>976</u>	<u>14,869</u>	<u>70,295</u>

Company	Accumulated losses	
	<i>HK\$'000</i>	
At 27 May 2004 (date of incorporation)		–
Net loss for the period		(15)
		<u>(15)</u>
At 30 September 2004		<u>(15)</u>
		<u>(15)</u>
30. ACQUISITION OF A SUBSIDIARY		
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net liabilities acquired:		
Fixed assets	2,517	–
Inventories	554	–
Debtors, deposits and prepayments	1,075	–
Cash and bank balances	2,775	–
Creditors and accrued charges	(8,522)	–
Bank overdraft	(462)	–
	<u>(2,063)</u>	–
Minority interest	928	–
	<u>(1,135)</u>	–
Goodwill on acquisition	1,135	–
	<u>–</u>	<u>–</u>
Consideration	<u>–</u>	<u>–</u>
Satisfied by:		
Cash consideration of HK\$1	<u>–</u>	<u>–</u>
Cash flow on acquisition net of cash acquired:		
Cash and bank balances acquired	2,313	–
Cash consideration of HK\$1 paid	–	–
	<u>2,313</u>	<u>–</u>

31. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets/(liabilities) disposed of:		
Fixed assets	4,085	1,078
Deferred tax assets	71	–
Short-term investments	–	230
Inventory and work in progress	8,526	214
Debtors, deposits and prepayments	11,917	154
Cash and bank balances	5,480	46
Goodwill	5,488	535
Creditors and accruals	(17,440)	(9,016)
Bank overdraft	(2,306)	(119)
Bank loan	(850)	–
Minority interests	(2,329)	(116)
Tax payable	(972)	–
	<u>11,670</u>	<u>(6,994)</u>
Cost in relation to the disposals	<u>16</u>	<u>–</u>
	11,686	(6,994)
Gain on disposal of subsidiaries	<u>2,314</u>	<u>7,984</u>
	<u><u>14,000</u></u>	<u><u>990</u></u>
Satisfied by:		
Partial settlement of promissory note payable	10,650	990
Cash consideration	<u>3,350</u>	<u>–</u>
	<u><u>14,000</u></u>	<u><u>990</u></u>
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash and bank balances disposed of with the subsidiaries	(5,480)	(46)
Bank overdraft disposed of with the subsidiaries	2,306	119
Cash consideration received	3,350	–
Cost on disposal of subsidiaries	<u>(16)</u>	<u>–</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>160</u></u>	<u><u>73</u></u>

The subsidiaries disposed of during the year contributed approximately HK\$130,392,000 (2003: approximately HK\$2,058,000) to the Group's turnover and profit after tax of approximately HK\$4,983,000 (2003: loss of approximately HK\$886,000) to the Group for the year.

32. COMMITMENTS

(a) Capital commitments

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised but not contracted for	<u>180</u>	<u>-</u>

(b) Operating lease commitments

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

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	925	1,199
In the second to fifth years, inclusive	<u>831</u>	<u>1,417</u>
	<u>1,756</u>	<u>2,616</u>

33. RELATED PARTY TRANSACTIONS

On 26 March 2004, a wholly owned subsidiary, Orient Prize entered into an agreement to dispose of a wholly owned subsidiary namely Fine Lord Construction Company Limited ("Fine Lord") at a consideration of HK\$5,800,000. The purchaser, Mr. Chan Chung Chiu ("Mr. Chan"), is a director of Fine Lord. Therefore, 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 way of Mr. Chan releasing 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\$5,873,000. The disposal was completed on 26 March 2004. Details of the disposal were set out in an announcement of MSHK dated 31 March 2004.

34. POST BALANCE SHEET EVENTS

a) Group Reorganisation

Pursuant to 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 and became effective on 8 November 2004, the following events took place:

- i) 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 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.

b) Acquisition of additional 14.5% equity interest in Pier 16 – Property Development Ltd.

Pursuant to an extraordinary general meeting of Pier 16 – Property Development Limited (“Pier 16 – Property Development”) held on 5 November 2004, SJM-Investmentos Limitada (“SJM-Investmentos”), the major shareholder of Pier 16 – Property Development, agreed to transfer 14.5% equity interests in Pier 16 – Property Development to the Group at a consideration of MOP1,450,000 (or equivalent to approximately HK\$1.4 million). Following the transfer, the Group increased its shareholding in Pier 16 – Property Development from 10% to 24.5% such that Pier 16 – Property Development became an associate of the Group.

In addition, the Group is required to provide shareholder’s loans to Pier 16 – Property Development in proportion to its equity interest in Pier 16 – Property Development for the development of a theme park “Ponte 16”, details of which are set out in a circular of the Company dated 26 November 2004.

c) Subscription of new shares

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.

35. LITIGATION

In April 2004, MSHK paid US\$375,000 to Guido Giacometti, a trustee of the estate of Mr. Sukarman Sukamto (“Mr. Sukamto”), a former director and substantial shareholder of MSHK, to settle the proceedings against MSHK in the U.S. Bankruptcy Court in the District of Hawaii claiming against MSHK, among other things, the sum of US\$594,027 (of which US\$500,000 being partial refund of the deposit and US\$94,027 being interest accrued upon), together with attorney’s fees and costs. A provision of HK\$5,000,000 was made in prior years, as such, the overprovision of approximately HK\$2,075,000 was reversed and included in other revenue during the year.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2004, the date to which the latest audited financial statements of the Company were made up.

3. INDEBTEDNESS**Borrowings**

As at the close of business on 30 April 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, no member of the Group had any outstanding borrowings.

Guarantees

As at 30 April 2005, the Group has pledged time deposits of approximately HK\$703,000 to certain banks for bank guarantees of approximately HK\$685,000 issued in favour of the Independent Third Parties as for operations of the Group.

Disclaimer

Save as aforesaid, the Group did not, as at 30 April 2005, have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 April 2005.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has focused on tourists-related business and cruise leasing and management as its core businesses. The Directors foresee a very positive market in Macau and are keen to identify suitable investment opportunities for further development. The Directors consider that the gaming industry is the leading industry and the driving force for the development of other industries in Macau and constitutes an indispensable part of the history of Macau. Given the clear strategies established by the Government of Macau to continuously develop Macau as a tourism, gaming, international MICE (Meetings, Incentives, Conferences, Exhibitions) and leisure destination, the prospects for the gaming industry and related industries in Macau are promising.

The Group is optimistic about the outlook of its gaming-related travel business. The Group intends to provide one-stop service for customers who look for an array of cruise holiday packages, hotel reservation and ticketing services for overseas destinations. The Group works closely with travel agencies in the United States of America and Canada in order to widen its customer base and establish a good reputation thereon. In view of the above positive operating environment in Macau, the Group had acquired World Travel Agency Limited, a company incorporated in Macau, in October 2004 to further expand its travel related business.

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

As part of the corporate strategy, the Group had increased its interest in Pier 16 – Property Development from 10% to 24.5% in November 2004, which is proposed to be further increased to 36.75% under the Agreement. This allows the Group to increase its participation in the hotel business with gaming entertainment in Ponte 16, Macau, and would provide synergistic effects for the Group's existing cruise and travel agency businesses.

On 7 March 2005, the Group and King Seiner Palace Promotor De Jogos, Limitada ("King Seiner") entered into a loan agreement in relation to a loan facility of HK\$50 million and an option deed which granted the Group the right to require the allotment and issue by King Seiner of its shares equal to 20% of the enlarged share capital of King Seiner to the Group. King Seiner will be principally engaged in the gaming intermediaries business at the King Seiner Palace and will apply for the Gaming Intermediaries Licence as soon as practicable under the Gaming Intermediaries Regulation of Macau. King Seiner will use the loan facility for its general working capital in running its gaming intermediaries business at the King Seiner Palace in Macau. The Directors consider that the entering into of the loan agreement and the option deed is in line with the Group's long-term business development strategies and can broaden the Group's revenue bases and provide the Group with an opportunity to participate in gaming intermediaries business in Macau.

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

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the available banking facilities and internal resources of the Group, the Group has sufficient working capital for the next 12 months from the date of this circular.

APPENDIX II ACCOUNTANTS' REPORT ON PIER 16 – PROPERTY DEVELOPMENT

The following is the text of an accountants' report from CCIF CPA Limited, Certified Public Accountants, Hong Kong, prepared for the sole purpose of inclusion in this circular.

The Directors
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21 June 2005

Dear Sirs,

We set out below our report on the financial information relating to Pier 16 – Property Development Limited (“Pier 16 – Property Development”) for the period from 20 February 2004 (date of incorporation) to 31 December 2004 (the “Relevant Period”) (the “Financial Information”) for inclusion in the circular of Macau Success Limited (the “Company”) dated 21 June 2005 (the “Circular”).

Pier 16 – Property Development is a company incorporated in Macau on 20 February 2004 with limited liability and principally engaged in the development of Ponte 16. Ponte 16 is a theme park consists of a hotel, a casino, shopping arcades, a cultural space and car parks.

The Financial Information set out in this report has been prepared based on the audited financial statements of Pier 16 – Property Development for the Relevant Period.

For the purpose of this report, we have examined the audited financial statements of Pier 16 – Property Development prepared in accordance with the accounting principles generally accepted in Macau for the Relevant Period and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountants” issued by the Hong Kong Institute of Certified Public Accountants.

APPENDIX II ACCOUNTANTS' REPORT ON PIER 16 – PROPERTY DEVELOPMENT

The directors of Pier 16 – Property Development are responsible for the preparation of the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of Pier 16 – Property Development are also responsible for the Financial Information of Pier 16 – Property Development as at 31 December 2004 and for the Relevant Period. It is our responsibility to form an independent opinion on the Financial Information of Pier 16 – Property Development.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the results of operations for the period from 20 February 2004 (date of incorporation) to 31 December 2004 and the financial position of Pier 16 – Property Development as at 31 December 2004.

I. FINANCIAL INFORMATION

The following is the Financial Information of Pier 16 – Property Development for the Relevant Period.

Income statement

	<i>Notes</i>	Period from 20.2.2004 to 31.12.2004 MOP'000
Turnover	2	–
General and administrative expenses		(89)
Loss before tax	3	(89)
Taxation	5	–
Loss for the period		<u>(89)</u>

APPENDIX II ACCOUNTANTS' REPORT ON PIER 16 – PROPERTY DEVELOPMENT

Statements of changes in shareholders' equity

	Share capital	Accumulated losses	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
As at 20 February 2004 (date of incorporation)	–	–	–
Issue of share capital	10,000	–	10,000
Loss for the period	–	(89)	(89)
As at 31 December 2004	<u>10,000</u>	<u>(89)</u>	<u>9,911</u>

APPENDIX II ACCOUNTANTS' REPORT ON PIER 16 – PROPERTY DEVELOPMENT

Balance sheet as at 31 December 2004

	<i>Notes</i>	<i>MOP'000</i>
NON-CURRENT ASSETS		
Properties under development	6	<u>129,067</u>
CURRENT ASSETS		
Rental deposits		277
CURRENT LIABILITIES		
Other payable	7	<u>(15,597)</u>
Accruals		(608)
		<u>(16,205)</u>
NET CURRENT LIABILITIES		<u>(15,928)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		113,139
NON-CURRENT LIABILITIES		
Other payable	7	<u>(34,279)</u>
Due to shareholders	8	(5,150)
Due to immediate holding company	9	<u>(63,799)</u>
		<u>(103,228)</u>
NET ASSETS		<u><u>9,911</u></u>
Represented by:		
SHARE CAPITAL	10	10,000
ACCUMULATED LOSSES		<u>(89)</u>
SHAREHOLDERS' EQUITY		<u><u>9,911</u></u>

II. NOTES TO THE FINANCIAL INFORMATION**1. Principal accounting policies**

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by Pier 16 – Property Development is set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

Pier 16 – Property Development has not adopted these new HKFRSs in preparing the Financial Information for the Relevant Period. The directors of Pier 16 – Property Development have already assessed the impact of these new HKFRSs and are of the opinion that the adoption of these new HKFRSs would not have a significant impact on the results of operations and financial position of Pier 16 – Property Development.

(a) Basis of measurement

The Financial Information has been prepared on historical cost basis.

(b) Properties under development

Properties under development are stated at cost. Cost comprises of land cost, development and related expenditure. No depreciation is provided on properties under development.

(c) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any indication exists, the asset’s recoverable amount is estimated. An asset’s recoverable amount is calculated as the higher of the asset’s value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(d) *Income tax*

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity, if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(e) *Foreign currencies*

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at the date. Exchange differences are dealt with in the income statement.

(f) *Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(g) Provisions and contingent liabilities

A provision is recognised when there is present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Pier 16 – Property Development. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2. Turnover

Pier 16 – Property Development did not derive any income during the Relevant Period.

3. Loss before tax

Loss before tax was arrived at after charging the following:

	<i>MOP'000</i>
Charging:	
Auditors' remuneration	8
Preliminary expenses	74
	<u>74</u>

4. Directors' and senior executives' remuneration

No remunerations were paid or payable to directors or senior executives for the Relevant Period. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

APPENDIX II ACCOUNTANTS' REPORT ON PIER 16 – PROPERTY DEVELOPMENT

5. Taxation

No provision for Hong Kong profits tax had been made as Pier 16 – Property Development did not generate any assessable profits arising in Hong Kong for the Relevant Period. Pier 16 – Property Development is subject to income tax in Macau at a rate of 15% on the assessable profits. A reconciliation between tax expense and the accounting loss at applicable tax rate is as follows:

	<i>MOP'000</i>
Loss before tax	(89)
	<u>(89)</u>
Calculated at 15%	(13)
Unrecognised tax loss	13
	<u>13</u>
Tax charge	–
	<u>–</u>

6. Properties under development

	<i>MOP'000</i>
At cost	129,067
	<u>129,067</u>

The properties under development were located in Macau and held under a lease term of 25 years from 14 February 2005.

7. Other payable

	<i>MOP'000</i>
Current portion	15,597
Non-current portion	34,279
	<u>34,279</u>
	<u>49,876</u>

This represented the balance of land premium payable to Government of Macau of which MOP3,085,000 will be satisfied by the construction of a pier by Pier 16 – Property Development according to the construction specification by the Government of Macau.

APPENDIX II ACCOUNTANTS' REPORT ON PIER 16 – PROPERTY DEVELOPMENT

8. Due to shareholders

The amounts were unsecured, interest free and without fixed terms of repayment.

9. Due to immediate holding company

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

10. Share capital

MOP'000

Authorised, issued and fully paid

100,000 ordinary shares of MOP100 each

10,000

11. Commitments**a) Capital commitments**

At 31 December 2004, Pier 16 – Property Development had the following capital commitments:

MOP'000

Contracted but not provided for:

– Properties under development

7,312

b) Operating lease commitments

At 31 December 2004, Pier 16 – Property Development had the following operating lease commitments in respect of the leasehold land:

MOP'000

Not later than one year

277

Later than one year but not later than five years

1,107

Later than five years

5,536

6,920

12. Ultimate holding company

The directors consider Sociedade de Turismo e Diversoes de Macau, S.A.R.L., a company incorporated in Macau, is the ultimate holding company.

III. SUBSEQUENT FINANCIAL INFORMATION

No dividend has been declared or paid by Pier 16 – Property Development subsequent to 31 December 2004.

Yours faithfully,
CCIF CPA LIMITED
Certified Public Accountants
Hong Kong
Chan Wai Dune, Charles
Practising Certificate Number P00712

**(A) LETTER ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES
OF THE ENLARGED GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in this Appendix.

The Directors
Macau Success Limited
Units 1002-05A, 10th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

**CCIF**

CCIF CPA LIMITED
37th Floor Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong
Telephone: +852 2894 6888
Facsimile: +852 2895 3752
E-mail: info@ccifcpa.com.hk
www.hkcpa.com

21 June 2005

Dear Sirs,

We set out below our report on the unaudited pro forma financial information set out in Section B of Appendix III to the circular of Macau Success Limited (the “Company”) dated 21 June 2005 (the “Unaudited Pro Forma Financial Information”), which has been prepared by the Company solely for illustrative purposes to provide information on how the proposed acquisition of Pier 16 – Property Development Limited (“Pier 16 – Property Development”) and the related loan to Pier 16 – Property Development may have affected the historical financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction thereto.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom the report were addressed by us at the dates of their issue.

Basis of opinion

Where applicable, we conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom. Our work consisted primarily of comparing the historical financial information contained therein with the source documents provided by the management, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or review made in accordance with the Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the directors’ judgements and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Company and its subsidiaries had the acquisition of Pier 16 – Property Development actually been completed on 30 September 2004 or at any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such a basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong
Chan Wai Dune, Charles
Practising Certificate Number P00712

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE ENLARGED GROUP**
(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities (the “Unaudited Pro Forma Financial Information”) of the Group assuming the proposed acquisition of Pier 16 – Property Development and the related loan to Pier 16 – Property Development (the “Acquisition”) had been completed as at 30 September 2004 (the “Enlarged Group”) for the purpose of illustrating how the Acquisition might have affected the financial position of the Group. As the Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, after taking into account of the foregoing, and because of its nature, it may not purport to represent the financial position of the Enlarged Group upon completion of the Acquisition.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 30 September 2004 extracted from the annual report of the Company for the year ended 30 September 2004 and the balance sheet of Pier 16 – Property Development as set out in the Accountants’ Report on Appendix II.

	Audited consolidated balance sheet of the Group as at 30 September 2004 <i>HK\$'000</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 3)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 4)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 5)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 6)</i>	Pro forma Enlarged Group <i>HK\$'000</i>
Non-current assets								
Property, plant and equipment	95,980	-	-	-	-	-	-	95,980
Goodwill	1,069	-	-	-	-	-	-	1,069
Share of net assets of an associate	-	-	1,408	971	98,000	1,357	(4,664)	97,072
Goodwill on acquisition of an associate	-	-	-	-	-	-	4,664	4,664
Due from an associate	-	-	-	2,500	1,250	-	-	3,750
Investment securities	3,471	-	-	(3,471)	-	-	-	-
	100,520	-	1,408	-	99,250	1,357	-	202,535
Current assets								
Inventories	1,214	-	-	-	-	-	-	1,214
Trade receivables	1,502	-	-	-	-	-	-	1,502
Deposits, prepayment and other receivables	2,987	-	-	-	-	-	-	2,987
Pledged bank deposits	200	-	-	-	-	-	-	200
Cash and bank balances	31,126	370,055	(1,408)	-	(99,250)	(1,357)	-	299,166
	37,029	370,055	(1,408)	-	(99,250)	(1,357)	-	305,069

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE ENLARGED GROUP**

	Audited consolidated balance sheet of the Group as at 30 September 2004 <i>HK\$'000</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 3)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 4)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 5)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 6)</i>	Pro forma Enlarged Group <i>HK\$'000</i>
Current liabilities								
Trade payables	(136)	-	-	-	-	-	-	(136)
Other payables and accruals	(6,312)	-	-	-	-	-	-	(6,312)
Other borrowings	(1,652)	-	-	-	-	-	-	(1,652)
	(8,100)	-	-	-	-	-	-	(8,100)
Net current assets/ (liabilities)	28,929	370,055	(1,408)	-	(99,250)	(1,357)	-	296,969
Total assets less current liabilities	129,449	370,055	-	-	-	-	-	499,504
Non-current liabilities								
Loan from minority shareholders	(31,536)	-	-	-	-	-	-	(31,536)
Minority interests	(11,743)	-	-	-	-	-	-	(11,743)
Net assets	86,170	370,055	-	-	-	-	-	456,225
Capital and reserves								
Issued capital	15,875	3,170	-	-	-	-	-	19,045
Reserves	70,295	366,885	-	-	-	-	-	437,180
	86,170	370,055	-	-	-	-	-	456,225

Notes

- (1) Being net proceeds received from issue of 317,000,000 new shares on 23 November 2004.
- (2) Being cost of purchase of 14.5% interest in the issued share capital of Pier 16 – Property Development.
- (3) Being reclassification of 10% interest in and amount due from Pier 16 – Property Development from investment securities to associate.
- (4) Being cost of purchase of 12.25% interest in Pier 16 – Property Development and the related loan to Pier 16 – Property Development.
- (5) Being expenses incurred in connection with the acquisition of 14.5% and 12.25% interest in Pier 16 – Property Development.
- (6) Being goodwill on acquisition of 14.5% and 12.25% interest in the issued share capital of Pier 16 – Property Development.

The following are the texts of a letter and a valuation certificate received from Savills (Hong Kong) Limited, an independent property valuer, prepared for the purpose of inclusion in this circular in connection with the Property Valuation.



Valuation Department
DL: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-002450
T: (852) 2842 4400
savills.com

21 June 2005

The Directors
Macau Success Limited
Units 1002-05A, 10th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

A Development Site known as Ponte 16, Macau

In accordance with the instructions of Macau Success Limited (the “Company”) to value the property interests more particularly set out in the valuation certificate attached hereto owned by Ponte 16 – Desenvolvimento Predial, S.A. (the “Owner”) in Macau, we confirm that we have made relevant enquires and obtained such information as we consider necessary for the purpose of providing you with our opinion of the **Market Value** of the said property interests as at 6 May 2005 (the “Valuation Date”).

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation is prepared in accordance with The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Our valuation has been made on the assumption that the owner sells the property in the open market without a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property, and no allowance is made for the property to be sold to a single party and/or as a portfolio or portfolios.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Our valuation has been prepared in accordance with the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors, the relevant provisions of the Companies Ordinance and Chapter 5 of Listing Rules published by The Stock Exchange of Hong Kong Limited and its Practice Note 12.

We have valued the property interests by residual method of valuation. We have employed the residual method of valuation in which the Market Value of the property concerned assuming newly completed based on the details of the development proposed provided to us as at the Valuation Date (i.e. gross development value of the property), is firstly established by the comparison method of valuation. The total unexpended cost of development including construction costs, professional fees and other associated expenditures, together with an allowance for interest expense, and developer’s profit and contingency are estimated and deducted from the established gross development value of the property. The resultant residue figure is then adjusted back to the Valuation Date to arrive at the market value of the property concerned in its existing state.

We have assumed that all consents, approvals and licenses from the relevant government authorities have been or will be granted without onerous conditions or delay for the property.

All documents disclosed in the certificate, if any, are for reference only and no responsibility is assumed for any legal matter concerning the legal title to the property interests set out in the certificate.

We have carried out an external inspection to the property. However, no structural survey has been made and we are therefore unable to report the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

No site investigation has been carried out to determine the suitability of the ground conditions or the services for any property development thereon. Our valuation is carried out on the assumptions that these aspects are satisfactory.

Other special assumptions of the property, if any, have been stated in the footnotes of the valuation certificate of the property.

We have caused title searches to be made at the Conservatória do Registo Predial of Macau SAR against the property. We have not, however, perused the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

We have assumed that the Owner has enforceable title to the property interests, and have free and uninterrupted rights to use the property for the whole of the respective unexpired terms granted subject to payment of nominal annual Land Use Rights Fees and that all requisite land premium/purchase consideration payable have been fully settled.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company, and the Owner regarding title of the property, land tenure and premium arrangement for the land grant. We have accepted advice given to us on such matters as the identification of the property, land tenure and development conditions, premium arrangement for the land grant, particulars of occupancy, site area, indicative cost estimate of the proposed hotel development, translated documents together with all other relevant matters. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company, and the Owner and have been advised by the Company and the Owner that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

We have also had regard to relevant construction costs based on data published by professional quantity surveyors and cost estimates provided by local cost consultants in the course of the assessment.

Unless otherwise stated, the property value is denominated in Hong Kong Dollars. The exchange rate used in our valuation is MOP1 to HK\$0.969779 which was prevailing as at the Valuation Date.

Our valuation certificate is attached.

Yours faithfully,

For and on behalf of

Savills (Hong Kong) Limited

David W. I. Cheung

MRICS MHKIS RPS CREA MCIArb MREP

Director

Valuation and Consultancy

Franco P. L. Liu

BSc (Hons) MHKIS

Associate Director

Valuation and Consultancy

Note: Mr. David W. I. Cheung and Mr. Franco P. L. Liu are chartered surveyors with over 10 years and 6 years property valuation experience in Macau respectively.

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Market Value in existing state as at 6th May 2005
A Development Site known as Ponte 16, Macau	The property comprises a site with an area of about 23,066 sq.m. (248,280 sq.ft.). It is bounded by Rua das Lorchas and Rua do Visconde Paço de Arcos, entre as pontes-cais Nos. 12A to 20 do Porto Interior Macau.	The property is currently vacant.	HK\$890,000,000

According to the information provided to us, the property will be built to a 3-star hotel development with 220 guestrooms, casino, commercial and car parking facilities (the “proposed development”).

The total gross floor area of the proposed development is approximately 74,315 sq.m. (799,919 sq.ft.) and the breakdown of the total gross floor area is as follows:-

Portion	Gross Floor Area	
Hotel (3 star)	15,228 sq.m.	163,913 sq.ft.
Casino	8,229 sq.m.	88,576 sq.ft.
Commercial	25,833 sq.m.	278,064 sq.ft.
Car park	14,294 sq.m.	153,859 sq.ft.
Open Space	10,731 sq.m.	115,507 sq.ft.
Total:	<u>74,315 sq.m.</u>	<u>799,919 sq.ft.</u>

As advised by the Company, the casino portion of the proposed development is scheduled to be completed by December 2006 whereas the hotel and commercial portions of the proposed development are scheduled to be completed by November 2007.

The property is held under a Concessão Por Arrendamento (租賃批地) for a term of 25 years commencing on 14th February 2005.

The Government Rent payable for the property is MOP276,792 equivalent to approximately HK\$268,427.

Notes:

1. The registered owner of the property under Conservatória do Registo Predial is Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司) (“the Owner”) vide 30269F registered on 24 February 2005.
2. According to recent title search, no material encumbrance is registered against the property.
3. According to the Government Lease of the property dated 27 January 2005, the property is subject to the following terms and conditions:
 - (i) The uses and breakdown of gross floor area of the property are summarised as below:

Commercial	:	25,833 sq.m.
Hotel (3 star)	:	23,457 sq.m.
Car park	:	14,294 sq.m.
Open space	:	10,731 sq.m.
 - (ii) The existing Ponte 16 must be retained.
 - (iii) A new pier with a gross floor area of approximately 1,234 sq.m (12,283 sq.ft), namely Ponte No. 11A, must be built and erected between Ponte Nos. 11 and 12. The pier must be handed over to the Macau Government within 12 months after the announcement date of the Macau Government Gazette.
4. According to the Government Lease, we understand that the premium of the property is MOP89,876,351 equivalent to approximately HK\$87,160,198. According to the information provided by the Company, the first payment i.e. MOP40,000,000 has been paid on 29 December 2004. As advised, the total outstanding payment of the premium is MOP49,876,351 as at the Valuation Date.
5. In the course of our valuation, we assumed that the proposed development of the property will comply with the Government Lease and any amendments thereof as well as all other statutory requirements and all premium (if any) for land exchange has been paid by the Owner.
6. In the course of our valuation, the casino portion and commercial portion are assumed to be leased out and the rental is assessed with reference to the prevailing market rental in respect of casino and retail shop in Macau SAR.
7. The market value of the property, assuming full completion under the development proposal as described at the Valuation Date, would be HK\$2,310,300,000.
8. According to the Qualified Quantity Surveyors’ Report, the total construction costs of the proposed development as at the Valuation Date will be HK\$810,800,000.
9. The future professional fees, future interest charges and developer’s profit adopted in the residual valuation are approximately HK\$63,800,000, HK\$60,000,000 and HK\$346,500,000 respectively.

10. Warning Statement:

This Valuation arrived has not been determined by reference to comparable market transactions which is the most reliable method for valuing property assets and the most common method used for valuing properties in Hong Kong. In contrast, because of the lack of comparable market transactions in the locality in which the property is situated, we have used the residual method which is generally acknowledged as being a less reliable valuation method. The residual method is essentially a means of valuing land by reference to its development potential by deducting costs and developer's profit from its estimated completed development value. It relies upon a series of assumptions by the valuer which produce an arithmetical calculation of the expected current sale value as at the Valuation Date of the property being developed or held for development or redevelopment. Where the property is located in a relatively under-developed market those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised its professional judgement in arriving at the value, investors are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

11. In Note (10) above, it is stated that there is a lack of comparable market transactions in the locality in which the property is situated. Although there are hotel transactions in Macau recently, comparable market transactions of similar size and functional breakdown, including gross floor area in hotel, casino and commercial facilities, cannot be found. We therefore cannot rely on comparison method of valuation for the assessment. Also as stated in Note (10) above, a series of assumptions were relied upon by the valuer in assessing the valuation using the residual method. Such assumptions include professional fees, future interest charges, developer's profit and contingency, details of which have been disclosed in Note (9) above.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and 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, were as follows:–

Interests in the Shares

Name	Long position/ Short position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yeung Hoi Sing, Sonny (<i>Note 1</i>)	Long position	Corporate interest	736,632,802	38.68%
Mr. Chan William (<i>Note 2</i>)	Long position	Corporate interest	315,608,630	16.57%

- Notes:*
- Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 736,632,802 Shares by virtue of the interest of the Shares held by Silver Rich Macau Development Limited (“Silver Rich”), which is wholly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Yeung Hoi Sing, Sonny.
 - Mr. Chan William is deemed to have corporate interest in 315,608,630 Shares by virtue of his interest in the entire issued share capital of Spring Wise Investments Limited (“Spring Wise”).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or 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 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.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive 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:–

Interests in the Shares

Name of Shareholder	Long position/ Short position	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Silver Rich	Long position	Corporate interest	736,632,802	38.68%
Spring Wise	Long position	Corporate interest	315,608,630	16.57%
Mr. Chan Hon Keung (Note 1)	Long position	Corporate interest	315,608,630	16.57%
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 315,608,630 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.

Long positions in other members of the Group

Name of subsidiaries of the Company	Name of substantial Shareholders	Number of shares	Approximate percentage of the total issued share capital of the subsidiaries of the Company
Capture Success Limited	Summit Global International Limited	30	30%
Capture Success Limited	Mantovana Holdings Limited	15	15%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other person had, or was deemed or taken to have an interest or short position in the Shares and underlying shares of 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, or directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group.

3. EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
CCIF CPA Limited	Certified public accountants
Savllis (Hong Kong) Limited	Property valuer

CCIF CPA Limited and Savllis have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and references to their names in the form and context they appear.

As at the Latest Practicable Date, CCIF CPA Limited and Savllis were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interest, either direct or indirect, in any assets which have been, since 30 September 2004, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling Shareholder) in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries which are or may be material:

- (1) the placing agreement dated 3 November 2003 entered into between Macau Success (Hong Kong) Limited (“MSHK”) (formerly known as Macau Success Limited, the former holding company of the Group) and Tai Fook Securities Company Limited in relation to the placing of 97,200,000 new shares of MSHK at HK\$0.4325 per share as supplemented by a supplemental agreement dated 17 November 2003 made between the parties thereto;
- (2) a conditional sale and purchase agreement dated 9 December 2003 entered into between Kong Wing Limited as vendor and Access Success Developments Limited, Summit Global International Limited and Mantovana Holdings Limited (together the “Purchasers”) as purchasers in respect of the sale and purchase of the cruise ship now known as MV Macau Success and certain inventories upon the terms and conditions therein contained;
- (3) a sale and purchase agreement dated 10 March 2004 entered into between Capture Success Limited, a 55% owned subsidiary of the Company, as purchaser and Hover Management Limited, a company incorporated in the British Virgin Islands, as vendor in respect of the sale and purchase of the entire issued capital of Hover Management Limited, a company incorporated in Hong Kong, upon the terms and conditions therein contained;

- (4) a sale and purchase agreement dated 12 March 2004 entered into between Orient Prize Holdings Inc. (“Orient Prize”) as vendor and China Age Investments Limited as purchaser in respect of the sale and purchase of the 60% equity interest in Marcello (Tax Free) International Department Store Corporation Limited upon the terms and conditions therein contained;
- (5) a sale and purchase agreement dated 26 March 2004 entered into between Orient Prize and Mr. Chan Chung Chiu in respect of the sale and purchase of the entire equity interest in Fine Lord Construction Company Limited upon the terms and conditions therein contained;
- (6) a subscription agreement dated 10 November 2004 entered into between the Company and Silver Rich in relation to the subscription of 317,000,000 new Shares at HK\$1.28 per Share;
- (7) a loan agreement dated 7 March 2005 entered into between Joyspirit Investments Limited (the “Lender”) and King Seiner Palace Promoto De Jogos, Limitada (the “Borrower”) in relation to the grant of the loan facility of HK\$50 million made available by the Lender to the Borrower;
- (8) an option deed dated 7 March 2005 entered into between the Lender and the Borrower in relation to the grant of option by the Borrower to the Lender requiring the allotment and issue by the Borrower of an option interest to the Lender or its nominee; and
- (9) the Agreement.

7. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).
- (b) Save as disclosed herein, there were no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.
- (c) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries since 30 September 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

- (e) The secretary of the Company is Ms. Chiu Nam Ying, Agnes, a qualified solicitor. The qualified accountant of the Company is Mr. Luk Sai Wai, Simon, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (f) The English texts of this circular shall prevail over the Chinese texts.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong at Units 1002-05A, 10th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including 5 July 2005:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 30 September 2004;
- (c) the accountants' report on Pier 16 – Property Development, the text of which is set out in Appendix II to this circular;
- (d) the letter from CCIF CPA Limited setting out their opinion on the unaudited proforma statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (e) the letter and valuation certificate relating to the property valuation of the Land Parcel, the text of which is set out in Appendix IV to circular;
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (g) the written consents referred to in the paragraph headed “Experts” in this appendix; and
- (h) the circulars of the Company dated 26 November 2004 and 7 April 2005 respectively.