



MACAU SUCCESS LIMITED

澳門實德有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0487)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH 2004**

INTERIM RESULTS

The board of directors (the “Board”) of Macau Success Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2004 together with comparative figures are as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2004

		Unaudited Six months ended 31 March	
		2004	2003
			(Restated)
	Notes	HK\$'000	HK\$'000
Turnover	2	104,777	50,550
Cost of sales		(47,415)	(29,925)
Gross profit		57,362	20,625
Other revenue		4,527	190
		61,889	20,815
Selling expenses		(33,849)	(16,428)
Administrative expenses		(17,779)	(6,527)
Other operating expenses		(145)	(587)
(Loss)/gain on disposal of subsidiaries	3	(205)	4,629
Profit from operations	4	9,911	1,902
Finance costs		(267)	(3,253)
Profit/(loss) before taxation		9,644	(1,351)
Taxation	5	(629)	(2)
Profit/(loss) after taxation		9,015	(1,353)
Minority interests		(4,701)	(44)
Net profit/(loss) from ordinary activities attributable to shareholders		4,314	(1,397)
Earnings/(loss) per share			
– Basic	6	HK\$0.3 cents	HK\$(0.9 cents)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31 March 2004*

	(Unaudited) 31 March 2004 <i>HK\$'000</i>	(Audited) 30 September 2003 (Restated) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Goodwill	3,421	5,633
Property, plant and equipment	98,577	6,346
Deferred tax assets	214	–
Investment securities	2,500	–
	<hr/> 104,712	<hr/> 11,979
CURRENT ASSETS		
Inventories	7,970	3,797
Amounts due from customers for contract works	–	3
Trade receivables	1,690	19,480
Deposits, prepayment and other receivables	3,993	1,265
Cash and bank balances	30,133	47,358
	<hr/> 43,786	<hr/> 71,903
CURRENT LIABILITIES		
Amounts due to customers for contract works	–	(7,637)
Trade payables	(208)	(16,309)
Other payables and accruals	(23,732)	(17,756)
Tax payable	(893)	(305)
Current portion of finance lease payable	–	(32)
Current portion of interest-bearing bank loan	–	(99)
Other borrowings	(4,841)	(10,470)
	<hr/> (29,674)	<hr/> (52,608)
NET CURRENT ASSETS	<hr/> 14,112	<hr/> 19,295
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 118,824	<hr/> 31,274
NON-CURRENT LIABILITIES		
Interest-bearing bank loan	–	(901)
Deferred tax liabilities	(266)	(11)
	<hr/> (266)	<hr/> (912)
MINORITY INTERESTS	<hr/> (43,547)	<hr/> (1,106)
NET ASSETS	<hr/> 75,011	<hr/> 29,256
CAPITAL AND RESERVES		
Issued capital	15,875	14,903
Reserves	59,136	14,353
	<hr/> 75,011	<hr/> 29,256

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of the Hong Kong Limited. This interim report should be read in conjunction with the annual financial statements for the year ended 30 September 2003.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 30 September 2003, except that the Group has changed its accounting policy following the adoption of the revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003, and the adoption of the new accounting policy for investment securities.

The adoption of the new 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 a consequence, the accumulated losses at 1 October 2003 have been increased by approximately HK\$11,000 which represents the previously unprovided deferred tax liabilities. The loss for the six months ended 31 March 2003 has been reduced by approximately HK\$3,000.

2. SEGMENTAL INFORMATION

The Group’s turnover and results for the six months ended 31 March 2004 analysed by business segments and geographical segments are as follows:

Business segments

For the six months ended 31 March 2004

	Continuing operations				Discontinuing operations	Consolidated HK\$'000
	Cruise leasing and management HK\$'000 Notes (a) and (b)	Travel HK\$'000 Note (c)	Retail HK\$'000 Note (d)	Investment holding HK\$'000	Construction services HK\$'000 Note (e)	
Turnover	12,118	1,328	66,284	-	25,047	104,777
Other revenue	-	-	248	4,279	-	4,527
	<u>12,118</u>	<u>1,328</u>	<u>66,532</u>	<u>4,279</u>	<u>25,047</u>	<u>109,304</u>
RESULTS						
Segment results	<u>8,291</u>	<u>(295)</u>	<u>3,076</u>	<u>(1,454)</u>	<u>293</u>	9,911
Finance costs						(267)
Profit before taxation						<u>9,644</u>

Business segments

For the six months ended 31 March 2003

	Continuing operations			Consolidated HK\$'000
	Retail HK\$'000 Note (d)	Investment holding HK\$'000	Construction services HK\$'000 Note (e)	
Turnover	34,119	–	16,431	50,550
Other revenue	40	142	8	190
	<u>34,159</u>	<u>142</u>	<u>16,439</u>	<u>50,740</u>
RESULTS				
Segment results	<u>(265)</u>	<u>2,945</u>	<u>(778)</u>	1,902
Finance costs				<u>(3,253)</u>
Loss before taxation				<u>(1,351)</u>

Geographical segments

	Turnover		Segment result	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	92,659	50,550	1,620	1,902
South China Sea, other than in Hong Kong	12,118	–	8,291	–
	<u>104,777</u>	<u>50,550</u>	<u>9,911</u>	<u>1,902</u>

Notes:

- a) 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 acquire 55%, 30% and 15% interest in a cruise ship and inventories respectively for a total consideration of approximately HK\$94.6 million of which HK\$52 million shall be paid by Access Success. 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 transactions are set out in the circular dated 24 December 2003 issued by the Company. The transactions have been completed on 12 January 2004.
- b) 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\$1,250,000. The resulting goodwill of approximately HK\$1,250,000 will be amortised on a straight-line basis over 10 years.

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Property, plant and equipment	2,517
Cash and bank balances	2,315
Prepayment and deposits paid	1,075
Inventory	554
Trade payables	(7)
Other payables and accruals	(8,727)
Minority interest	1,023
	<u>(1,250)</u>
Goodwill	1,250
	<u>–</u>
Total purchase consideration	<u>–</u>

- c) In October 2003, the Group formed a subsidiary to engage in the travel agency business which includes selling of air tickets and hotel packages.
- d) On 12 March 2004, a wholly owned subsidiary entered into an agreement to dispose of its entire 60% interest in the issued capital of Marcello (Tax Free) International Department Store Corporation Limited (“Marcello”) at a consideration of HK\$8,200,000. The principal activity of Marcello is trading as a department store. The disposal is scheduled to complete on or before 30 June 2004.
- e) On 26 March 2004, a wholly owned subsidiary 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. Fine Lord was engaged in the business of construction services.

3. (LOSS)/GAIN ON DISPOSAL OF SUBSIDIARIES

During the six months ended 31 March 2004, the Group disposed of its entire interest in Fine Lord Construction Company Limited, Total Power Trading Limited, Gain Source Limited for a total consideration of approximately HK\$5,800,000 and recorded a loss of approximately HK\$205,000 on the disposals. The disposal of Fine Lord constitutes a connected transaction.

During the six months ended 31 March 2003, the Company disposed of its entire interest in Denton Capital Investments Limited with net liabilities of approximately HK\$4,629,000 at the date of disposal for a consideration of HK\$1.

4. PROFIT FROM OPERATIONS

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

	Six months ended 31 March	
	2004 HK\$'000	2003 HK\$'000
Crediting:		
Interest income	(144)	–
Write back of long outstanding payables	(1,764)	–
Exchange gain	(210)	–
Reverse of overprovision for litigation	(2,075)	–
Charging:		
Auditors' remuneration	77	–
Depreciation and amortisation		
– Owned assets	2,049	769
– Assets held under finance lease	–	34
Amortisation of goodwill included in other operating expense	145	379
	<u>145</u>	<u>379</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. The amount of taxation in the condensed consolidated income statement represents:

	Six months ended 31 March	
	2004 HK\$'000	2003 HK\$'000
Current taxation	588	5
Deferred taxation	41	(3)
	<u>629</u>	<u>2</u>
Tax charge	<u>629</u>	<u>2</u>

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of approximately HK\$4,314,000 (loss of HK\$1,397,000 for the six months ended 31 March 2003) and on the weighted average of 1,562,500,299 ordinary shares (149,064,233 ordinary shares for the six months ended 31 March 2003) in issue during the period. The weighted average number of shares for the six months ended 31 March 2003 has been adjusted for the effect of consolidation of the Company's shares.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period under review, turnover of the Group was approximately HK\$104.8 million representing an approximately 107.3% increase as compared to the last corresponding period (2003: approximately HK\$50.6 million). Profit attributable to shareholders amounted to approximately HK\$4.3 million, representing a rebound of approximately 408.8% when compared to the last corresponding period (2003: Loss attributable to shareholders: approximately HK\$1.4 million). Earnings per share for the period was 0.30 HK cents (2003: Loss per share: 0.90 HK cents).

INTERIM DIVIDEND

The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the period (2003: Nil).

REVIEW OF OPERATIONS

With the enormous increase in demand for travel services with the relaxation of travel restrictions on PRC travelers, Travel Success Limited (“Travel Success”) (license no.: 352713) was incorporated in October 2003 to allow the Group to benefit from the giant potential tourism market. This wholly owned subsidiary of the Company will strive to become one of the companies in Hong Kong that provides most comprehensive and professional travel services and one-stop solutions to corporations and up-market leisure travelers in the near future.

To go in line with the new business motive to concentrate on travel related areas, the Group has acquired 55% interest in M. V. Macau Success (the “Cruise Ship”) and entered into a bareboat charter agreement (the “Bareboat Charter Agreement”) simultaneously in January 2004 to pave way for the Group’s ambitious expansion into the cruise business, details of which were set out in the Company’s circular dated 24 December 2003.

The increasingly intense cut-throat price competition on tendering of construction projects and the high unemployment rate which has been persistently affecting the local population all pose adverse impact on the property market of Hong Kong. As one of the players in the market, the Directors believe that the future of the local construction business is still not promising. As a result of the above, the management has decided to dispose and discontinue all construction related business in March 2004 so as to concentrate the Group’s resources on the development of travel related businesses in the future.

On 9 March 2004, the board of Directors announced that the Company has proposed a reorganization (the “Proposed Reorganization”) which will involve: (i) a change of domicile of the Company from Hong Kong to Bermuda; (ii) transfer of the amount standing to the credit of the share premium account of the Company to a distributable account; and (iii) declaration of dividend in specie of the Group’s 55% interest in the Cruise Ship to a company to be incorporated in Bermuda with limited liability (the “Newco”), shares of which were proposed to be listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of introduction. Upon the Proposed Reorganization becoming effective, the existing listing of the shares of the Company on the Stock Exchange will be withdrawn. Details of the Proposed Reorganization was set out in the Company’s announcement dated 9 March 2004.

Subsequent to the period, an application has been made by the Company to the Listing Committee of the Stock Exchange for granting of the listing of and permission to deal in the Newco shares to be issued pursuant to the Proposed Reorganization.

Retail Business

Turnover contributed by the retail business amounted to approximately HK\$66.3 million (2003: approximately HK\$34.1 million), representing an increase of approximately 94.3% when compared to last corresponding period, which contributed approximately 63.3% of the Group’s total turnover.

Travel Business

Since the incorporation of Travel Success, travel business incurred an operating loss amounted to approximately HK\$0.3 million, whereas turnover has been gradually increasing with quick penetration into the market. Turnover from the travel business amounted to approximately HK\$1.3 million for the period upon review, representing approximately 1.3% of the Group’s total turnover.

Cruise Business

Pursuant to the Bareboat Charter Agreement, the Cruise Ship is leased to an independent third party (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) as cruise operator (the "Cruise Operator") for monthly charter payments. In March 2004, the Group acquired 55% equity interest in Hover Management Limited ("Hover"), a company incorporated in Hong Kong with limited liability. Hover provides management service to the Cruise Operator for monthly management fees. Since the launch of the cruise business, it recorded turnover amounted to approximately HK\$12.1 million and an operating profit of approximately HK\$8.3 million.

FINANCIAL REVIEW

Pledge of Assets

As at 31 March 2004, the Group had no assets pledged to financial institutions for financing (30 September 2003: approximately HK\$1.0 million, of which approximately HK\$0.1 million is repayable within one year).

Contingent Liabilities

As at 31 March 2004, the Group had no contingent liability.

Liquidity, Financial Resources and Gearing

As at 31 March 2004, the Group had net current assets of approximately HK\$14.1 million (30 September 2003: approximately HK\$19.3 million) and had net assets of approximately HK\$75.0 million (30 September 2003: approximately HK\$29.3 million). The growth in net assets position was due to the successful share placement by the Group during November 2003.

As at 31 March 2004, the Group had total financial borrowings of approximately HK\$4.8 million (30 September 2003: approximately HK\$11.5 million), none of which represents obligations under finance leases (30 September 2003: approximately HK\$0.03 million).

The Group's total financial borrowings were denominated in Hong Kong dollars and bear interest at floating rates. Of the total financial borrowings, approximately HK\$4.8 million is repayable within one year or on demand (30 September 2003: approximately HK\$10.6 million), while none of which is repayable after one year (30 September 2003: approximately HK\$0.9 million).

Shareholders' funds of the Group as at 31 March 2004 recorded a surplus of approximately HK\$75.0 million (30 September 2003: approximately HK\$29.3 million). Accordingly, the gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds was 6.4%.

Capital Structure

Pursuant to a placing agreement dated 3 November 2003 and a supplemental agreement dated 17 November 2003 entered with an independent placing agent, 97,200,000 new shares at HK\$0.4325 per share were placed to not less than six independent investors on 17 November 2003. The net proceeds amounted to approximately HK\$41.0 million has been applied as to approximately HK\$10.0 million as general working capital of the Group and as to approximately HK\$31.0 million for making investments in tourism related businesses with good potential in Hong Kong and Macau when opportunities arise.

Material Acquisition and Disposal of Subsidiaries

A sale and purchase agreement dated 10 March 2004 has been entered into between Capture Success Limited, a 55% owned subsidiary of the Company, as purchaser and an independent third party (as defined in the Listing Rules) as vendor in respect of the sale and purchase of the entire issued capital of Hover upon the terms and conditions therein contained.

A sale and purchase agreement dated 12 March 2004 has been entered into between Orient Prize Holdings Inc. ("Orient Prize"), a wholly owned subsidiary of the Company, as vendor and an independent third party (as defined in the Listing Rules) 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. Completion shall take place on or before 30 June 2004.

A sale and purchase agreement dated 26 March 2004 has been entered into between Orient Prize as vendor and Mr. Chan Chung Chiu, a director of Fine Lord Construction Company Limited ("Fine Lord") in respect of the sale and purchase of the entire equity interest in Fine Lord upon the terms and conditions therein contained. Details of which were set out in the Company's announcement dated 31 March 2004.

Staffing

The Group's remuneration policy is determined by reference to their qualifications, experiences, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance and retirement benefits under Mandatory Provident Fund Scheme. Share options might also be granted to eligible employees of the Group.

PROSPECTS

With the solid and encouraging performance and results of the cruise business, the Group remains conservatively optimistic towards the future prospect of the Company. As the performance of all current core businesses under the Group are satisfactory, the Group is keen to further diversify its business concentrations and tap into the huge potential markets of hotel, casino and property related businesses in Macau in the future.

With the Group's international and professional experience in management of entertainment operations, it is the Group's target to provide one stop tourism services to our customers with the support of Travel Success. While travel is always about leisure and entertainment, we aim to provide all-rounded entertainment services to our customers who seek for high quality and well managed travel experiences.

At present, there are 8,000 hotel rooms in Macau and the Group projects that the demand will boost up to 25,000 hotel rooms in the near future. In the process of transforming Macau to "Asia Las Vegas", more high quality hotels with world class services are in need to be provided. The entry of the Company into the market will be with an aim to act as one of the providers of hotel services which meet with international standard in the future.

Provoked by the growing living standard in Macau, the Group foresees very positive market potential with the property market of Macau with growing demand for quality living environments. Supported by the hands-on experience of our management team in property-related businesses, the Company may consider diversifying into the property market in Macau when opportunities arise.

Looking ahead, the management will work even harder to secure the Group's successful transformation as to create long-term value for the shareholders.

CORPORATE GOVERNANCE

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 31 March, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

Having made specific enquiry of all Directors, each of whom has complied with the required standard set out in the Model Code and Code of Conduct regarding securities transactions by the Directors.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, of which Mr. Yim Kai Pung holds a Bachelor degree of Accountancy with honours from City University of Hong Kong in 1993 and is an associate member of Hong Kong Society of Accountants and a fellow member of Association of Chartered Certified Accountants of the United Kingdom. He has over 15 years of experience in auditing listed companies both in Hong Kong and China. Mr. Yim is presently a sole proprietor of an audit firm principally developing the China market.

Audit Committee

The Company has set up an audit committee (the "Audit Committee") which comprises four non-executive Directors, majority of whom are independent non-executive Directors with terms of reference prepared based on "A Guide for Effective Audit Committee" published by the Hong Kong Society of Accountants. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system.

Review of Interim Results

The unaudited results for the six months ended 31 March 2004 have been reviewed by the Audit Committee and Messrs. Charles Chan, Ip & Fung CPA Ltd. which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the listed securities of the Company.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

A detailed interim results announcement containing all information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Yeung Hoi Sing, Sonny
Mr. Chan William
Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Independent Non-executive Directors:

Mr. Luk Ka Yee, Patrick
Mr. Yim Kai Pung
Ms. Yeung Mo Sheung, Ann

By Order of the Board
Macau Success Limited
Lee Siu Cheung
Executive Director

Hong Kong, 24 June 2004