



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 487)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2005

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 2005 together with comparative figures are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2005

	Notes	Unaudited Six months ended 31 March	
		2005 HK\$'000	2004 HK\$'000
Turnover	4	50,372	104,777
Cost of sales		(3,140)	(47,415)
Gross profit		47,232	57,362
Other revenue		427	4,527
		47,659	61,889
Selling expenses		-	(33,849)
Administrative expenses		(31,951)	(17,779)
Other operating expenses		(66)	(145)
Loss on disposal of subsidiaries		-	(205)
Profit from operations	5	15,642	9,911
Finance costs		(97)	(267)
		15,545	9,644
Share of loss of an associate		(6)	-
Profit before taxation		15,539	9,644
Taxation	6	-	(629)
Profit after taxation		15,539	9,015
Minority interests		(10,218)	(4,701)
Net profit from ordinary activities attributable to shareholders		5,321	4,314
Earnings per share			
- Basic	7	HK\$0.3 cents	HK\$0.3 cents
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2005

	(Unaudited) 31 March 2005 HK\$'000	(Audited) 30 September 2004 (Restated) HK\$'000
NON-CURRENT ASSETS		
Goodwill	1,181	1,069
Property, plant and equipment	93,287	95,980
Interest in an associate	5,346	-
Investment securities	-	3,471
	99,814	100,520
CURRENT ASSETS		
Inventories	871	1,214
Trade receivables	1,665	1,502
Deposits, prepayment and other receivables	5,567	2,987
Pledged bank deposits	702	200
Cash and bank balances	400,550	31,126
	409,355	37,029
CURRENT LIABILITIES		
Trade payables	258	136
Other payables and accruals	2,557	6,312
Other borrowings	-	1,652
	2,815	8,100
NET CURRENT ASSETS	406,540	28,929
TOTAL ASSETS LESS CURRENT LIABILITIES	506,354	129,449
NON-CURRENT LIABILITIES		
Loans from minority shareholders	28,930	31,536
MINORITY INTERESTS	21,961	11,743
NET ASSETS	455,463	86,170
CAPITAL AND RESERVES		
Issued capital	19,045	15,875
Reserves	436,418	70,295
	455,463	86,170

Notes:

1. BASIS OF PRESENTATION AND GROUP REORGANISATION

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

- simultaneously:
 - the entire issued share capital of MSHK was reduced by cancelling and extinguishing all the 1,587,464,233 shares in issue (the "Scheme Shares");
 - MSHK applied part of the credit arising as a result of the capital reduction in paying up in full at par the 10,000,000 new shares allotted and issued, credited as fully paid, to the Company such that MSHK became a wholly-owned subsidiary of the Company and transferred the remaining credit to the distributable reserve account of MSHK;
 - the authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company;

- 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
- the shareholders of the 1,587,464,233 shares of MSHK received on the basis of one share of the Company for every one share of MSHK in consideration for the cancellation of their Scheme Shares.

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

Associates

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

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

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

4. TURNOVER AND SEGMENTAL INFORMATION

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

Business segments

For the six months ended 31 March 2005

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

For the six months ended 31 March 2004

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

Geographical segments

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

5. PROFIT FROM OPERATIONS

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

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

6. TAXATION

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

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

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

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

7. EARNINGS PER SHARE

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

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

MANAGEMENT DISCUSSION AND ANALYSIS RESULTS

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

INTERIM DIVIDEND

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

REVIEW OF OPERATIONS

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

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

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

For increasing the Group’s presence in the gaming business in Macau, Joyspirit Investments Limited (“Joyspirit”), a wholly-owned subsidiary of the Company, had entered into a loan agreement and an option deed with King Seiner Palace Promotor De Jogos, Limitada (“King Seiner”) on 7 March 2005 for providing a loan facility of HK\$50 million to King Seiner under the loan agreement and obtaining an option to be granted by King Seiner under the option deed. It is an expedient way for the Group to gain benefits from the prosperous gaming business in Macau. The return enables the Group to have a guaranteed and stable stream of interest revenue to be received monthly which is equal to 20% on the loan annually (equivalent to HK\$10 million), subject to upward adjustment to a maximum of 18% of the profit of King Seiner. King Seiner is principally engaged in the gaming intermediaries business at King Seiner Palace located in Pharaoh Hotel, Macau and is applying for the Gaming Intermediaries License under the Gaming Intermediaries Regulation of Macau. The gaming intermediaries business to be carried out by King Seiner in Macau includes marketing and organizing gaming-related trips for introducing customers to participate in the gaming activities provided by the casino operator at the King Seiner Palace and the provision of other ancillary services such as food and beverage services, accommodation and transportation arrangements for its customers. Upon exercising of the option by Joyspirit at any time during 57 months from the date of the option deed and fulfilling certain conditions of the option deed, King Seiner shall issue 20% of the enlarged share capital of King Seiner to Joyspirit at a price of 20% of not more than 4 times of the profit of King Seiner.

Travel Business

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

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

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

Cruise Business

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

FINANCIAL REVIEW

Pledge of Assets

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

Contingent Liabilities

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

Liquidity, Financial Resources and Gearing

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

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

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

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

Capital Structure

On 10 November 2004, Silver Rich Macau Development Limited (“Silver Rich”), a substantial shareholder of the Company, entered into a placing agreement (the “Placing Agreement”) and a subscription agreement (the “Subscription Agreement”) with Deutsche Bank AG (the “Placing Agent”) and the Company respectively. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a fully underwritten basis, 317,000,000 shares of the Company to not less than six independent placees at a price of HK\$1.28 per share (the “Placing”). Pursuant to the Subscription Agreement, Silver Rich conditionally agreed to subscribe for 317,000,000 new shares of the Company at a price of HK\$1.28 per share (the “Subscription”). The Placing and the Subscription were completed on 12 November 2004 and 23 November 2004 respectively. Upon the completion of the Placing and the Subscription, shareholding of Silver Rich was decreased from approximately 43.20% to approximately 36.01% and shareholding of Spring Wise Investments Limited, another substantial shareholder of the Company, was decreased from approximately 18.51% to approximately 15.43%.

The net proceeds derived from the Subscription amounted to approximately HK\$370.0 million will be applied as to approximately HK\$166.5 million for the investment and development of Ponte 16, as to approximately HK\$111.0 million for other possible investment opportunities in hotel and tourists-related projects, and as to approximately HK\$92.5 million for general working capital for the Group.

Material Acquisition and Disposal of Subsidiaries

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

Staffing

As at 31 March 2005, the Group had approximately 310 employees. Remuneration policy is determined by reference to their qualifications, experiences, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance and retirement benefits under Mandatory Provident Fund Scheme. Share options might also be granted to eligible employees of the Group.

PROSPECTS

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

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

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

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

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

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

CORPORATE GOVERNANCE

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 31 March 2005, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005. With effective from 1 January 2005, the Code of Best Practice has been replaced by a new Code on Corporate Governance Practices (the “CG Code”). The Company has been and will continue the process of reviewing its corporate governance practices and implementing new and applicable measure under the CG Code in line with the respective compliance dates.

Model Code for Securities Transactions by Directors

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

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

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, of which Mr. Yim Kai Pung is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants of the United Kingdom. He has over 15 years of auditing experience both in Hong Kong and China. Mr. Yim is presently a sole proprietor of David Yim & Co., Certified Public Accountants.

Audit Committee

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

Remuneration Committee

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

Review of Interim Results

The unaudited results for the six months ended 31 March 2005 have been reviewed by the Audit Committee and Messrs. CCIF CPA Limited which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate 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
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 27 June 2005

* For identification purpose only