



Macau Success Limited
澳門實德有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 0487)

Interim Report 2006

*For identification purpose only

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CORPORATE INFORMATION

Directors

Executive Directors

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

Mr. Chan William (*Deputy Chairman*)*

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**

Company Secretary

Ms. Chiu Nam Ying, Agnes

Qualified Accountant

Mr. Luk Sai Wai, Simon

Authorised Representatives

Mr. Lee Siu Cheung

Ms. Chiu Nam Ying, Agnes

Auditors

Messrs. CCIF CPA Limited

Legal Advisors on Hong Kong Law

Messrs. Iu, Lai & Li, Solicitors

Legal Advisors on Bermuda Law

Messrs. Conyers Dill & Pearman

Principal Bankers

Asia Commercial Bank Limited

Fubon Bank (Hong Kong) Limited

Liu Chong Hing Bank Limited

The Bank of East Asia, Limited

The Hongkong & Shanghai Banking Corporation Limited

Principal Share Registrar and Transfer Agent in Bermuda

Butterfield Fund Services (Bermuda) Limited

65 Front Street

Hamilton

Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

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28 Queen's Road East

Wanchai

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Registered Office

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2 Church Street

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Share Listing

The Stock Exchange of Hong Kong Limited

Stock Code: 0487

Website

www.macausuccess.com

* *Members of Audit Committee*

Members of Remuneration Committee

OPERATIONAL HIGHLIGHTS

Unaudited results for the six months ended 31 March 2006

- Net profits attributable to shareholders surged 160% to HK\$13.8 million
- The Group's turnover remained stable and reached approximately HK\$50.9 million
- Turnover from the cruise business was approximately HK\$47.7 million, segment profit was approximately HK\$24.0 million
- Turnover from the travel business grew 18% to HK\$3.3 million
- Loan interest income generated from King Seiner was approximately HK\$5.0 million
- Our integrated casino resort – Ponte 16 was granted the approval to double its Gross Floor Area to 126,500 square metres
- The first phase of Ponte 16 is targeted to open in the second quarter of 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2006

		(Unaudited)	
		For the six months ended	
		31 March	
		2006	2005
	Notes	HK\$'000	HK\$'000
TURNOVER	3	50,941	50,372
Cost of sales		<u>(3,292)</u>	<u>(3,140)</u>
Gross profit		47,649	47,232
Other revenue		<u>10,275</u>	<u>427</u>
		57,924	47,659
Administrative expenses		<u>(33,558)</u>	<u>(32,017)</u>
PROFIT FROM OPERATIONS	4	24,366	15,642
Share of results of associates		17	(6)
Finance costs	5	<u>–</u>	<u>(97)</u>
Profit before taxation		24,383	15,539
Taxation	6	<u>–</u>	<u>–</u>
PROFIT FOR THE PERIOD		24,383	15,539
ATTRIBUTABLE TO:			
Equity holders of the Company		13,757	5,321
Minority interests		<u>10,626</u>	<u>10,218</u>
		24,383	15,539
INTERIM DIVIDEND	7	3,209	–
EARNINGS PER SHARE			
– Basic	8	HK0.72 cents	HK0.29 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2006

		(Unaudited) 31 March 2006 HK\$'000	(Audited) 30 September 2005 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	95,118	90,247
Goodwill	10	1,313	1,313
Available-for-sale investment	11	25,239	25,239
Interest in associates	12	339,256	339,042
Loan receivable	13	51,616	51,562
		512,542	507,403
CURRENT ASSETS			
Inventories		897	1,181
Trade receivables	14	1,844	1,624
Deposits, prepayment and other receivables		9,875	11,213
Pledged bank deposits		717	708
Cash and bank balances		198,180	189,965
		211,513	204,691
CURRENT LIABILITIES			
Trade payables	15	410	156
Other payables and accruals		3,122	4,996
		3,532	5,152
NET CURRENT ASSETS			
		207,981	199,539
TOTAL ASSETS LESS CURRENT LIABILITIES			
		720,523	706,942

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 March 2006

		(Unaudited) 31 March 2006 <i>HK\$'000</i>	(Audited) 30 September 2005 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Loans from minority shareholders	16	<u>15,406</u>	<u>26,208</u>
NET ASSETS		<u>705,117</u>	<u>680,734</u>
CAPITAL AND RESERVES			
Issued capital	17	19,045	19,045
Reserves		<u>644,211</u>	<u>630,454</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
		663,256	649,499
Minority Interests		<u>41,861</u>	<u>31,235</u>
TOTAL EQUITY		<u>705,117</u>	<u>680,734</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2006

(Unaudited)

	Attributable to equity holders of the Company							Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Distributable reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 October 2004	15,875	-	54,450	976	-	14,869	86,170	11,743	97,913
Placing of new shares	3,170	402,590	-	-	-	-	405,760	-	405,760
Share issuance costs	-	(39,670)	-	-	-	-	(39,670)	-	(39,670)
Net profit for the period	-	-	-	-	-	5,321	5,321	10,218	15,539
Redomicile costs	-	-	(2,117)	-	-	-	(2,117)	-	(2,117)
At 31 March 2005	<u>19,045</u>	<u>362,920</u>	<u>52,333</u>	<u>976</u>	<u>-</u>	<u>20,190</u>	<u>455,464</u>	<u>21,961</u>	<u>477,425</u>
At 1 October 2005	19,045	362,920	52,333	976	187,065	27,160	649,499	31,235	680,734
Net profit for the period	-	-	-	-	-	13,757	13,757	10,626	24,383
At 31 March 2006	<u>19,045</u>	<u>362,920</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>40,917</u>	<u>663,256</u>	<u>41,861</u>	<u>705,117</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 March 2006

	(Unaudited)	
	For the six months ended	
	31 March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	18,078	11,115
Net cash generated from/(used in) investing activities	939	(3,257)
Net cash (used in)/generated from financing activities	(10,802)	361,366
Net increase in cash and cash equivalents	8,215	369,224
Cash and cash equivalents at beginning of the period	189,965	31,326
Cash and cash equivalents at end of the period	198,180	400,550
Analysis of balances of cash and cash equivalents		
Cash and bank balances	198,180	400,550

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 March 2006

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 27 May 2004 under the Companies Act (1981) of Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

- i) 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 to pay up in full at par the 10,000,000 new shares allotted and issued, credited as fully paid, to the Company such that MSHK became a wholly-owned subsidiary of the Company and transferred the remaining credit to the distributable reserve account of MSHK;
 - the authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company;
- ii) the share premium account of MSHK was reduced, cancelled and applied to set off against the accumulated losses of MSHK and the remaining credit thereof was transferred to the distributable reserve account; and
- 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.

The Group Reorganisation involved companies under common control, and for accounting purpose, the Company and its acquired subsidiaries are regarded and accounted for as a continuing group. Accordingly, the condensed consolidated financial statements have been prepared using the merger basis of accounting as if the Company had always been the holding company of the Group. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented or since their dates of incorporation if these are shorter periods, rather than from the subsequent date of acquisition of the subsidiaries. The comparative condensed consolidated results and cash flows of the Group for the six months ended 31 March 2005 include the results and cash flows of the Company and its subsidiaries with effect from 1 October 2004 or since their respective dates of incorporation, where these are shorter periods.

In the opinion of the directors, the condensed consolidated financial statements prepared on this basis present more fairly the comparative results, cash flows and financial position of the Group as a whole.

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements have been prepared under the historical cost basis except for the revaluation of an associate’s property at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 September 2005.

3. TURNOVER AND SEGMENT INFORMATION

The Group’s turnover and results for the six months ended 31 March 2006 analysed by business segments and geographical segments are as follows:

a) Business segments

For the six months ended 31 March 2006

	Cruise leasing and management <i>HK\$’000</i>	Travel <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Turnover	47,660	3,281	50,941
Other revenue	26	35	61
	<u>47,686</u>	<u>3,316</u>	<u>51,002</u>
Segment results	<u>23,973</u>	<u>(203)</u>	23,770
Unallocated corporate income			10,214
Unallocated corporate expenses			<u>(9,618)</u>
Profit from operations			24,366
Share of results of associates			<u>17</u>
Profit before taxation			<u>24,383</u>

3. TURNOVER AND SEGMENT INFORMATION (Continued)

a) Business segments (Continued)

For the six months ended 31 March 2005

	Cruise leasing and management <i>HK\$'000</i>	Travel <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	47,591	2,781	50,372
Other revenue	6	18	24
	<u>47,597</u>	<u>2,799</u>	<u>50,396</u>
Segment results	<u>22,747</u>	<u>(395)</u>	22,352
Unallocated corporate income			403
Unallocated corporate expenses			<u>(7,113)</u>
Profit from operations			15,642
Share of results of associates			(6)
Finance costs			<u>(97)</u>
Profit before taxation			<u>15,539</u>

b) Geographical segments

For the six months ended 31 March

	Turnover		Segment results	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong	3,281	2,781	(192)	(380)
South China Sea, other than in Hong Kong	47,660	47,591	23,973	22,747
Macau	<u>–</u>	<u>–</u>	<u>(11)</u>	<u>(15)</u>
	<u>50,941</u>	<u>50,372</u>	<u>23,770</u>	<u>22,352</u>

4. PROFIT FROM OPERATIONS

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

	For the six months ended 31 March	
	2006	2005
	HK\$'000	HK\$'000
Crediting:		
Dividend from available-for-sale investment	(1,133)	–
Interest income	(8,177)	(411)
Charging:		
Auditors' remuneration	97	63
Depreciation	3,435	3,222
Loss on disposal of property, plant and equipment	2	–
Operating lease rentals		
– land and buildings	694	620
– plant and machinery	10	2
Staff costs including contribution of retirement scheme of HK\$229,000 (2005: HK\$195,000)	14,272	13,185
	<u>14,272</u>	<u>13,185</u>

5. FINANCE COSTS

	For the six months ended 31 March	
	2006	2005
	HK\$'000	HK\$'000
Interest expenses on:		
Other borrowings wholly repayable within five years	–	97
	<u>–</u>	<u>97</u>

6. TAXATION

No Hong Kong profits tax and taxation arising in other jurisdiction, in which the subsidiaries operate, have been provided for the six months ended 31 March 2006 as the Group has no estimated assessable profits for the period (for the six months ended 31 March 2005: HK\$Nil).

7. INTERIM DIVIDEND

	For the six months ended 31 March	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend of HK0.15 cents (2005: HK\$Nil) per share	3,209	–
	<u>3,209</u>	<u>–</u>

The interim dividend for the six months ended 31 March 2006 was based on approximately of 2,139,464,000 shares in issued on 12 July 2006. The interim dividend has not been recognised as a liability as at the balance sheet date.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holder of the Company for the six months ended 31 March 2006 of approximately HK\$13,757,000 (for the six months ended 31 March 2005: HK\$5,321,000) and on the weighted average number for the six months ended 31 March 2006 of 1,904,464,233 (for the six months ended 31 March 2005: 1,834,793,903) ordinary shares in issue during the period.

There was no dilution effect on the basic earnings per share for the six months ended 31 March 2006 and 31 March 2005 respectively as there were no dilutive instruments outstanding during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value as at 1 October 2005	90,247
Additions	8,308
Disposal	(2)
Depreciation charge for the period	<u>(3,435)</u>
Net book value as at 31 March 2006	<u><u>95,118</u></u>

10. GOODWILL

	<i>HK\$'000</i>
Net book value as at 1 October 2005 and 31 March 2006	<u><u>1,313</u></u>

11. AVAILABLE-FOR-SALE INVESTMENT

	31 March 2006 <i>HK\$'000</i>	30 September 2005 <i>HK\$'000</i>
Unlisted shares, at cost	<u><u>25,239</u></u>	<u><u>25,239</u></u>

On 13 July 2005, Top Region Assets Limited, a wholly-owned subsidiary, entered into an agreement with two independent third parties for the acquisition of 8.13% interest in the issued share capital of Triumph Up Investments Limited, a company incorporated in the British Virgin Islands, at a consideration of HK\$22,800,000. Including the acquisition expenses, the total investment cost was approximately HK\$25,239,000.

12. INTEREST IN ASSOCIATES

	31 March 2006 <i>HK\$'000</i>	30 September 2005 <i>HK\$'000</i>
Share of net assets	284,141	284,124
Goodwill on acquisition	4,581	4,581
Due from associates	<u><u>50,534</u></u>	<u><u>50,337</u></u>
	<u><u>339,256</u></u>	<u><u>339,042</u></u>

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

12. INTEREST IN ASSOCIATES *(Continued)*

Particulars of the associates as at 31 March 2006 are as follows:

Name of company	Attributable interest to the group		Place of incorporation/ and operations	Nominal value of issued share capital	Principal activities
	Direct %	Indirect %			
Pier 16 – Property Development Limited	–	36.75	Macau	MOP10,000,000	Investment, development and operation of an integrated hotel resort project “Ponte 16”
Pier 16 – Management Limited	–	36.75	Macau	MOP25,000	Provision of management services for development of an integrated hotel resort project “Ponte 16”

The following is a summary of aggregate amounts of assets, liabilities, revenues and results of the Group’s associates:

	31 March 2006 HK\$’000	30 September 2005 HK\$’000
Assets	992,486	926,420
Liabilities	219,282	153,238
Revenues	1,757	327
Profits	1	2

13. LOAN RECEIVABLE

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Loan receivable	<u>51,616</u>	<u>51,562</u>

On 7 March 2005, Joyspirit Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with King Seiner Palace Promotor De Jogos, Limitada ("the Borrower"), which is owned by the related parties Mr. Yeung Hoi Sing, Sonny ("Mr. Yeung"), Mr. Chan Hon Keung ("Mr. Chan") and an independent third party, for providing a facility of HK\$50 million to the Borrower. The Borrower drew the loan on 5 August 2005. The loan is secured by the guarantee from Mr. Yeung and Mr. Chan and will be repayable in full on or before 5 August 2010. The interest payable on the loan was the higher of (i) 20% per annum; and (ii) the amount equivalent to 18% of the net profit of the Borrower before all interest payments on the loan for the latest financial year of the Borrower as shown in the audited financial statements of the Borrower.

During the six months ended 31 March 2006, the loan interest of approximately HK\$4,986,000 (for the six months ended 31 March 2005: HK\$Nil) was received / receivable from the Borrower.

14. TRADE RECEIVABLES

The Group normally allows a credit period of 30 days (2005: 30 days). An analysis of trade receivables is as follows:

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Current to 30 days	1,805	1,584
31 to 60 days	28	11
61 to 90 days	8	13
Over 90 days	3	16
	<u>1,844</u>	<u>1,624</u>

15. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Current to 30 days	379	137
31 to 60 days	17	5
61 to 90 days	-	-
Over 90 days	14	14
	<u>410</u>	<u>156</u>

16. 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.

17. SHARE CAPITAL

	31 March 2006		30 September 2005	
	Number of shares <i>Notes</i>	Nominal value <i>HK\$'000</i>	Number of shares <i>'000</i>	Nominal value <i>HK\$'000</i>
Authorised:				
At beginning of the period	160,000,000	1,600,000	10,000	100
Increase on authorised shares	(a) —	—	159,990,000	1,599,900
At end of the period	<u>160,000,000</u>	<u>1,600,000</u>	<u>160,000,000</u>	<u>1,600,000</u>
Issued and fully paid:				
At beginning of the period	1,904,464	19,045	—	—
Shares issued to shareholders of MSHK as consideration for cancellation of shares of MSHK	(b) —	—	1,587,464	15,875
Shares placement	(c) —	—	317,000	3,170
At end of the period	<u>1,904,464</u>	<u>19,045</u>	<u>1,904,464</u>	<u>19,045</u>

The movements in the authorised and issued share capital of the Company were as follows:

- 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.
- On 8 November 2004, as part of the Group Reorganisation, 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 the shareholders of MSHK in consideration for the cancellation of the shares of MSHK.
- 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.

18. DEFERRED TAXATION

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 31 March 2006, the Group had tax losses of approximately HK\$62 million (30 September 2005: HK\$60 million) that are available to carry forward indefinitely for offsetting against future taxable profits.

19. CAPITAL COMMITMENTS

a) Capital commitments

	Group	
	31 March 2006	30 September 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	–	1,021
	<u> </u>	<u> </u>

b) Operating lease commitments

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

	Group	
	31 March 2006	30 September 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	941	972
In the second to fifth years, inclusive	437	58
	<u> </u>	<u> </u>
	1,378	1,030
	<u> </u>	<u> </u>

20. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in the condensed financial statements, the Group also had the following transactions with the related parties during the period:

		For the six months ended	
		31 March	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Travel service income received and receivable from			
– Associates	<i>(i)(ii)</i>	45	5
– Key management personnel	<i>(ii)</i>	328	27
– Close family members of key management personnel	<i>(ii)</i>	164	155
		<u> </u>	<u> </u>
		537	187
		<u> </u>	<u> </u>
Management service income received and receivable from			
– Associates	<i>(i)(iii)</i>	741	–
		<u> </u>	<u> </u>

20. RELATED PARTY TRANSACTIONS (Continued)

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Trade receivables from travel service as at the balance sheet date		
– Associates	2	102
– Key management personnel	35	10
– Close family members of key management personnel	–	10
	<u>37</u>	<u>122</u>
Trade receivable from management service income as at the balance sheet date		
– Associates	<u>296</u>	<u>–</u>

- i) The Company directors, Mr. Yeung Hoi Sing, Sonny and Mr. Lee Siu Cheung, are the directors of the associates.
- ii) The travel agent service fee was charged according to prices and conditions similar to those offered to other customers.
- iii) The management service income was charged according to the terms stated in the management service agreement.

21. PLEDGED OF ASSETS

As at 31 March 2006, the Group pledged the time deposits of approximately HK\$0.7 million (30 September 2005: HK\$0.7 million) to certain banks for issuance of several bank guarantees of approximately HK\$0.7 million (30 September 2005: HK\$0.7 million) for the operation of the Group.

22. POST BALANCE SHEET EVENT

- (a) On 12 April 2006, Silver Rich Macau Development Limited (“Silver Rich”), a substantial shareholder of the Company, entered into a placing agreement (the “Placing Agreement”) and a top-up subscription agreement (the “Subscription Agreement”) with Grand Vinco Capital Limited (“Placing Agent”) and the Company respectively. Pursuant to the Placing Agreement, the Placing Agent agreed to place up to 235,000,000 shares (the “Placing Shares”) of the Company at a price of HK\$1.09 for and on behalf of Silver Rich. Pursuant to the Subscription Agreement, Silver Rich conditionally agreed to subscribe for such number of new shares as equal to the number of Placing Shares successfully placed by the Placing Agent. The above transaction was detailed in the Company’s announcement dated 12 April 2006.

On 25 April 2006, the Company issued and allotted 235,000,000 new shares for the net proceeds of approximately HK\$252 million, after deducting expenses.

- (b) On 13 June 2006, Top Region Assets Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Star Entertainment Limited, an independent third party, for the disposal of 8.13% interest in the share capital of Triumph Up Investments Limited (Note 11) for a consideration of HK\$36,112,763 before expenses.



CCIF

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**INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF MACAU SUCCESS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)**

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 4 to 18.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express any audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 March 2006.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22 June 2006

Delores Teh
Practising Certificate Number P03207



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

With stable revenue stream and effective cost control measures, turnover and gross profit of the Group for the six months ended 31 March 2006 were in line with the management's expectation. Total turnover of the Group remained at more or less the same level as last year at approximately HK\$50.9 million (2005: approximately HK\$50.4 million), and gross profit was approximately HK\$47.6 million (2005: approximately HK\$47.2 million). However, boosted by the interest income from our loan arrangement with King Seiner Palace Promotor De Jogos, Limitada ("King Seiner"), profit attributable to shareholders surged 160% to approximately HK\$13.8 million (2005: approximately HK\$5.3 million). Earnings per share were HK0.72 cents (2005: HK0.29 cents), representing an increase of 148%.

The Group's core business continued to contribute stable income during the period under review. Turnover and profitability from our cruise business remained stable compared to the same period last year. On the other hand, our travel business underwent a moderate growth in turnover. Loan interest income from King Seiner amounted to approximately HK\$5.0 million, which contributed significantly to the strong growth of bottom line of the Group.

INTERIM DIVIDEND

Directors of the Company (the "Directors") have resolved to declare an interim dividend of HK0.15 cents (2005: HK\$Nil) per share for the six months ended 31 March 2006 to shareholders of the Company whose name appear on the register of members of the Company as at the close of business on Wednesday, 12 July 2006. The interim dividend is expected to be paid to shareholders of the Company by post on or around Monday, 24 July 2006.

REVIEW OF OPERATIONS

Cruise Business

During the period under review, our cruise business remained the principal revenue contributor for the Group and continued to generate a stable income stream with steady growth. The leasing and management of our cruise, M.V. Macau Success, accounted for 94% of our total turnover.

During the period, turnover from the cruise business remained more or less the same as last year at approximately HK\$47.7 million (2005: approximately HK\$47.6 million). Segment profit from this business was approximately HK\$24.0 million (2005: approximately HK\$22.7 million).

The cruise business not only contributed a stable income to the Group but also provided tremendous synergy to our overall business and is a key part of our strategy to develop into a strong gaming and entertainment-related business group.

Travel Business

The travel business recorded a turnover of approximately HK\$3.3 million during the period under review, representing an increase of 18% (2005: approximately HK\$2.8 million), and accounting for 6% of the total turnover. With the increase in revenue and effective cost optimisation measures, the segment loss of this business was narrowed to approximately HK\$0.2 million. The Group will continue to focus on optimising this business and aim to turning it around in the very near future.

Although a smaller piece of business within the Group, it is the Group's strategy to continue to develop the travel business into a unique platform to provide professional travel services to high-end customers and direct traffic to M.V. Macau Success, the Company's flagship cruise.

Others

King Seiner Loan Arrangement

Our Group's loan agreement of HK\$50 million, signed by an indirect wholly-owned subsidiary, Joyspirit Investments Limited ("Joyspirit"), with King Seiner on 7 March 2005, has begun to make a positive impact on our Group's performance. Under the agreement, our Group is entitled to a guaranteed and stable stream of interest revenue equaling to 20% of the HK\$50 million loan annually subject to an upward adjustment to a maximum of 18% of King Seiner's profit. During the period under review, loan interest income generated from King Seiner amounted to HK\$5.0 million.

The Management expects to see the full impact of the King Seiner loan agreement by the end of the current financial year but is optimistic that it will contribute significantly to the Group's profit.

Also, the loan agreement carries an option deed whereby King Seiner shall issue 20% of its enlarged share capital to Joyspirit at a price of 20% of not more than 4 times of the profit of King Seiner. Joyspirit has the right to exercise this option at any time during the 57 months from the date of the commencement of the loan agreement and after fulfilling certain conditions of the option deed. The Management will keep close track of the financial performance of King Seiner and decide if and when Joyspirit would exercise the option.

FINANCIAL REVIEW

Pledge of Assets

As at 31 March 2006, the Group has pledged time deposits of approximately HK\$0.7 million (30 September 2005: approximately HK\$0.7 million) to certain banks for issuance of several bank guarantees of approximately HK\$0.7 million (30 September 2005: approximately HK\$0.7 million) for operations of the Group.

Contingent Liabilities

As at 31 March 2006, the Group had no contingent liability (30 September 2005: HK\$Nil).

Liquidity, Financial Resources and Gearing

As at 31 March 2006, the Group had net current assets of approximately HK\$208.0 million (30 September 2005: approximately HK\$199.5 million) and had net assets of approximately HK\$705.1 million (30 September 2005: approximately HK\$680.7 million).

As at 31 March 2006, the Group did not have any interest-bearing borrowings (30 September 2005: HK\$Nil), and had no obligations under finance leases (30 September 2005: HK\$Nil).

As at 31 March 2006, there were loans from minority shareholders of approximately HK\$15.4 million (30 September 2005: approximately HK\$26.2 million), which is interest-free, unsecured and without fixed repayment term.

As at 31 March 2006, the Group had no bank loan (30 September 2005: HK\$Nil).

Shareholders' funds of the Group as at 31 March 2006 recorded a surplus of approximately HK\$663.3 million (30 September 2005: approximately HK\$649.5 million). Accordingly, the gearing ratio which is measured on the basis of the Group's total interest-bearing borrowings over the shareholders' funds was not applicable for this period (2005: Nil).

Capital Structure

Subsequent to the period, 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 Grand Vinco Capital Limited (the "Placing Agent") and the Company respectively on 12 April 2006. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a best efforts basis, 235,000,000 shares of the Company (the "Shares") to not less than six independent places at a price of HK\$1.09 per Share (the "Placing"). Pursuant to the Subscription Agreement, Silver Rich conditionally agreed to subscribe for 235,000,000 new Shares at a price of HK\$1.09 per Share (the "Subscription"). The Placing and the Subscription were completed on 19 April 2006 and 25 April 2006 respectively. Upon the completion of the Placing and the Subscription, shareholding of Silver Rich was decreased from approximately 40.72% to approximately 36.25%.

The net proceeds derived from the Subscription amounted to approximately HK\$252 million will be used for general working capital for the Group.

Staffing

As at 31 March 2006, the Group had approximately 340 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 may also be granted to eligible employees of the Group.

PROSPECTS

Looking ahead, the Management expected the cruise and travel businesses would continue to contribute a steady income to the Group, providing a sound base for it to fully exploit the business opportunities of Macau.

The Management of the Group is most optimistic about the future economic growth of Macau and the potential it brings to the Group. According to the Macau SAR Government, the number of tourists visited Macau in the first quarter of 2006 reached 5,248,000, risen by 18% over the corresponding period in 2005. Gaming revenue reached US\$1,584 million for the first quarter of 2006, increased by 16% compared to the last corresponding period. This provides a very favourable backdrop to the development of the Group's flagship project – Ponte 16.

Ponte 16

As part of the Group's continuing initiatives to further solidify its position in hotel, casino and property related businesses in Macau, we have strategically increased our stake in our flagship project – Ponte 16 to 36.75% in July 2005. Pier 16 – Property Development Limited (“Pier 16 – Property Development”) is an associated company of the Group and was held 51%, 36.75% and 12.25% by SJM's wholly-owned subsidiary, SJM – Investimentos Limitada, Macau Success's indirect wholly-owned subsidiary, World Fortune Limited and Joy Idea Investments Limited respectively.

Ponte 16 is a multi-functional, integrated resort consisted of hotel, retail, F&B, recreational facilities, and casino (subject to Macau SAR Government's approval). The development is embedded in the historical heritage of Macau with its location being a historic site itself – the Pier 16 that commenced operation in the beginning of the last century.

In the past few months, the Group has successfully completed a number of major milestones of the development of Ponte 16 into one of Macau's most sophisticated and attractive casino and leisure landmark.

In February 2006, Pier 16 – Property Development announced the appointment of AAPC Hong Kong Limited (trading as “Accor Asia Pacific”) (“Accor”), a well-known hotel management company of France and one of the world's largest hotel and tourism companies, to manage the hotel facilities of the Ponte 16 complex under Accor's deluxe brand “Sofitel”. The new hotel will operate under the name Sofitel Macau @ Ponte 16. We believe with Accor's experience in international hotel management and the hotel's top dining and entertainment facilities, Sofitel Macau @ Ponte 16 will bring prosperity back to the Inner Harbor district of Macau, revitalize the old district into a dynamic waterfront and will foster the growth of tourism of Macau.

The Group also announced the approval of increased Gross Floor Area in April 2006 from 63,584 square metres to 126,500 square metres by the Macau SAR Government. This allows the project to wield a much higher business value to the Group. With the expanded Gross Floor Area, the total investment of the project will be increased to approximately HK\$2.4 billion. The construction of Ponte 16 is now in full swing with the casino targeting operation by the second quarter of 2007 and the rest of the facilities to be completed by early 2008.

The Group also underwent two major corporate developments in the months after the interim period that would yield significant and positive effects. On 10 April 2006, the Group announced that Joy Idea Investments Limited, has acquired 120,000,000 shares of the Group from the existing shareholders of Mr. William Chan's family and became a strategic shareholder of Macau Success, holding a 5.6% stake. Joy Idea Investments Limited is one of the partners of the Ponte 16 development with a 12.25% stake.

At the same time, the Group also finished a top-up placement of 235,000,000 shares on 25 April 2006, successfully raising a total of HK\$252 million as general working capital. This exercise has greatly broadened the shareholder structure of the Group and strengthened our financial base, allowing us ample financial resources to develop our key projects and capture new business opportunities that would help us deliver stronger earnings to our shareholders.

Conclusion

With our steady business growth, enlarged revenue base and strengthened financial resources, Macau Success is well-positioned to capitalise on the lucrative opportunities available in the gaming and entertainment industry in Macau. Further afield, our vision is to become one of the leading gaming and entertainment-related companies in the region and as such will continue to explore further opportunities for development in Macau and beyond.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests in Securities

As at 31 March 2006, the Directors or chief executives of the Company and/or any of their respective associates had the following interests and 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 Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:-

Name	Long position/ Short position	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Yeung Hoi Sing, Sonny (Note 1)	Long position	Corporate interest	775,488,802	40.72%
Mr. Chan William (Note 2)	Long position	Corporate interest	332,352,630	17.45%

Notes:

- (1) Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 775,488,802 Shares by virtue of the interest of the Shares held by Silver Rich, which is wholly-owned by a discretionary trust, the beneficiaries of which are family members of Mr. Yeung Hoi Sing, Sonny.
- (2) Mr. Chan William is deemed to have corporate interest in 332,352,630 Shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd ("Spring Wise").

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executives of the Company, or their associates, had any personal, family, corporate or other interests in the securities 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.

Share Options Scheme and Directors' and Chief Executives' Rights to Acquire Shares or Debentures

Pursuant to the share option scheme adopted by the shareholders of the Company on 20 August 2004, (the "Share Option Scheme"), the board of Directors may for a consideration of HK\$1 offer to selected eligible persons to subscribe for Shares as incentive or rewards for their contribution to the Group. The subscription price will be determined by the board at its absolute discretion, but in any event shall not be less than the higher of the nominal value for the time being of each Share, the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date on which the relevant option is granted and the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The Share Option Scheme became effective for a period of ten years commencing on 8 November 2004.

No options under the Share Option Scheme had been granted to any person since its adoption.

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders

As at 31 March 2006, so far as was known to the Directors or chief executives 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:—

Name	Long position/ Short position	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Silver Rich	Long position	Corporate interest	775,488,802	40.72%
Spring Wise	Long position	Corporate interest	332,352,630	17.45%
Mr. Chan Hon Keung (Note 1)	Long position	Corporate interest	332,352,630	17.45%
Penta Investment Advisers Ltd	Long Position	Corporate interest	171,104,000	8.98%
Zwaanstra John (Note 2)	Long Position	Corporate interest	171,104,000	8.98%
Moore Michael William (Note 2)	Long Position	Corporate interest	171,104,000	8.98%

Note:

1. Mr. Chan Hon Keung is deemed to have corporate interest in 332,352,630 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 171,104,000 Shares by virtue of their interests in the issued share capital of Penta Investment Advisers Ltd.

Save as disclosed above, as at 31 March 2006, so far as was known to the Directors or chief executives of the Company, 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 10 July 2006 to Wednesday, 12 July 2006, both days inclusive, during which period no share transfer will be registered. In order to qualify for the interim dividend, all transfer forms together with relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:00 p.m. on Friday, 7 July 2006.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

In the corporate governance report which was published in our Annual Report 2005 dated 10 January 2006 (the "CG Report"), we reported that the Company had adopted Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code"), save for few deviations specified and explained therein.

In this interim report, we state the progress on bringing into compliance the two deviations from the CG Code which we reported in the CG Report:—

1. At our annual general meeting held on 28 February 2006, resolutions in respect of the amendments to the Bye-laws of the Company have been passed. It brought the Company into fully compliance with Code Provision A4.2 under the CG Code.

Pursuant to bye-law 86(2) of the Bye-laws of the Company, any Directors appointed to fill a casual vacancy should be subject to election by shareholders of the Company at the next following general meeting of the Company after their appointment.

Pursuant to bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company one-third of the Directors shall retire from office by rotation at least once every three years.

2. For Code Provision C.2, the Company is in the course of negotiation with an independent auditor in respect of engaging them to review the effectiveness of internal control system of the Company in order to ensure the maintenance of proper financial accounting policies and practices; the compliance with relevant legislations and regulations; and the effectiveness of risk management function. The above mentioned negotiation has reached a final stage and the audit committee of the Company (the "Audit Committee") is committed to ensure the objectivity and credibility of the internal control procedures.

Results of the engagement of independent auditors and annual review of the internal control system will be reported in the forthcoming CG Report.

Save as above, 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 2006, in compliance with the CG Code.

Model Code for Securities Transactions by Directors

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

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

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 whom Mr. Yim Kai Pung is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. He has over 16 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the PRC.

Audit Committee

The Audit Committee comprises 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 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 ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

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 on 31 March 2006. 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 2006 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.

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

Hong Kong, 22 June 2006