



MACAU SUCCESS LIMITED

澳門實德有限公司

(Incorporated in Hong Kong with limited liability)

Interim Report **2004**



Contents

	Page
Results	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Cash Flow Statement	6
Condensed Consolidated Statement of Changes in Equity	7
Notes to the Condensed Financial Statements	8
Independent Review Report	22
Management Discussion and Analysis	23

Results

The Board of Directors (the “Board”) of Macau Success Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2004, together with the unaudited comparative figures for the six months ended 31 March 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2004

	Notes	Unaudited Six months ended 31 March	
		2004 HK\$'000	2003 (Restated) HK\$'000
Turnover	2	104,777	50,550
Cost of sales		(47,415)	(29,925)
		<hr/>	<hr/>
Gross profit		57,362	20,625
Other revenue		4,527	190
		<hr/>	<hr/>
		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
		<hr/>	<hr/>
Profit from operations	4	9,911	1,902
Finance costs		(267)	(3,253)
		<hr/>	<hr/>
Profit/(loss) before taxation		9,644	(1,351)
Taxation	5	(629)	(2)
		<hr/>	<hr/>
Profit/(loss) after taxation		9,015	(1,353)
Minority interests		(4,701)	(44)
		<hr/>	<hr/>
Net profit/(loss) from ordinary activities attributable to shareholders		4,314	(1,397)
		<hr/>	<hr/>
Earnings/(loss) per share			
– Basic	6	HK\$0.3 cents	HK\$(0.9 cents)
		<hr/>	<hr/>
– Diluted		N/A	N/A
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2004

		(Unaudited) 31 March 2004	(Audited) 30 September 2003 (Restated)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Goodwill	7	3,421	5,633
Property, plant and equipment	7	98,577	6,346
Deferred tax assets	10	214	—
Investment securities	7	2,500	—
		<u>104,712</u>	<u>11,979</u>
CURRENT ASSETS			
Inventories		7,970	3,797
Amounts due from customers for contract works		—	3
Trade receivables	8	1,690	19,480
Deposits, prepayment and other receivables		3,993	1,265
Cash and bank balances		30,133	47,358
		<u>43,786</u>	<u>71,903</u>
CURRENT LIABILITIES			
Amounts due to customers for contract works		—	(7,637)
Trade payables	9	(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)
		<u>(29,674)</u>	<u>(52,608)</u>
NET CURRENT ASSETS		<u>14,112</u>	<u>19,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>118,824</u>	<u>31,274</u>

CONDENSED CONSOLIDATED BALANCE SHEET (*Continued*)

As at 31 March 2004

		(Unaudited) 31 March 2004	(Audited) 30 September 2003 (Restated)
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loan		—	(901)
Deferred tax liabilities	10	(266)	(11)
		(266)	(912)
MINORITY INTERESTS			
		(43,547)	(1,106)
NET ASSETS			
		75,011	29,256
CAPITAL AND RESERVES			
Issued capital	11	15,875	14,903
Reserves		59,136	14,353
		75,011	29,256

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 March 2004

	Unaudited	
	Six months ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	3,172	(1,353)
Net cash (used in)/generated from investing activities	(100,425)	32,097
Net cash generated from/(used in) financing activities	<u>80,028</u>	<u>(31,956)</u>
Net decrease in cash and cash equivalents	(17,225)	(1,212)
Cash and cash equivalents at beginning of the period	<u>47,358</u>	<u>4,774</u>
Cash and cash equivalents at end of the period, representing cash and bank balances	<u><u>30,133</u></u>	<u><u>3,562</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2004

	Unaudited					
	Share	Share	Capital	redemption	Accumulated	Total
	capital	premium	reserves	reserve	losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2002						
– as previously reported	596,257	299,073	(6,819)	976	(991,510)	(102,023)
– unamortized goodwill reclassified as intangible assets	–	–	6,819	–	–	6,819
	<u>596,257</u>	<u>299,073</u>	<u>–</u>	<u>976</u>	<u>(991,510)</u>	<u>(102,023)</u>
– as restated	596,257	299,073	–	976	(991,510)	(95,204)
Net loss for the period	–	–	–	–	(1,397)	(1,397)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,397)</u>	<u>(1,397)</u>
At 31 March 2003	<u>596,257</u>	<u>299,073</u>	<u>–</u>	<u>976</u>	<u>(992,907)</u>	<u>(96,601)</u>
At 1 October 2003						
– as previously reported	14,903	374,500	–	976	(361,112)	29,267
– adjustment on adoption of SSAP 12 (revised)	–	–	–	–	(11)	(11)
	<u>14,903</u>	<u>374,500</u>	<u>–</u>	<u>976</u>	<u>(361,123)</u>	<u>29,256</u>
– as restated	14,903	374,500	–	976	(361,123)	29,256
Placing of new shares	972	41,067	–	–	–	42,039
Share issuance costs	–	(598)	–	–	–	(598)
Net profit for the period	–	–	–	–	4,314	4,314
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,314</u>	<u>4,314</u>
At 31 March 2004	<u>15,875</u>	<u>414,969</u>	<u>–</u>	<u>976</u>	<u>(356,809)</u>	<u>75,011</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 March 2004

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.

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. 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 detailed in the Condensed Consolidated Statement of Changes in Equity, the accumulated losses at 1 October 2003 have been increased by approximately HK\$11,000 which represents the previously unprovided deferred tax liabilities. In addition, the loss for the six months ended 31 March 2003 has been reduced by approximately HK\$3,000.

Investment securities

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

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	
	Cruise					
	leasing and			Investment	Construction	
	management	Travel	Retail	holding	services	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes (a) and (b)	Note (c)	Note (d)		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>
Segment results	<u>8,291</u>	<u>(295)</u>	<u>3,076</u>	<u>(1,454)</u>	<u>293</u>	9,911
Finance costs						<u>(267)</u>
Profit before taxation						<u>9,644</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

2. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

For the six months ended 31 March 2003

	Continuing operations			Consolidated
	Retail	Investment holding	Construction services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note (d)		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>
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>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

2. SEGMENTAL INFORMATION *(Continued)*

Geographical segments

For the six months ended 31 March 2004

	Turnover		Segment results	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

2. SEGMENTAL INFORMATION *(Continued)*

- 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
	<hr/>
	(1,250)
Goodwill	1,250
	<hr/>
Total purchase consideration	<hr/> <hr/>

- 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

2. SEGMENTAL INFORMATION *(Continued)*

- 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. The details of the disposal are set out in note 15 to the condensed financial statements.
- 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. The details of the disposal are set out in note 13 to the condensed financial statements.

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. The details of which are set out in note 13 to the condensed financial statements.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 March 2004

4. PROFIT FROM OPERATIONS

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit/(loss) 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.

7. NON-CURRENT ASSETS

	Goodwill	Property, plant and equipment	Investment securities
	HK\$'000	HK\$'000	HK\$'000
Opening net book value	5,633	6,346	—
Additions	—	95,378	2,500
Acquisition of a subsidiary	1,250	2,517	—
Amortisation	(145)	—	—
Depreciation	—	(2,049)	—
Disposals of subsidiaries	(3,317)	(3,615)	—
	<hr/>	<hr/>	<hr/>
Closing net book value	<u>3,421</u>	<u>98,577</u>	<u>2,500</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

8. TRADE RECEIVABLES

The credit term granted by the Group to its trade customers normally ranges from 30 to 60 days. An aged analysis of trade receivables is as follows:

	31 March 2004 HK\$'000	30 September 2003 HK\$'000
Current to 30 days	1,609	8,464
31 to 60 days	81	3,936
61 to 90 days	—	1,748
Retention receivable	—	5,332
	<u>1,690</u>	<u>19,480</u>

9. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	31 March 2004 HK\$'000	30 September 2003 HK\$'000
Current to 30 days	157	6,514
31 to 60 days	41	1,517
61 to 90 days	5	—
Over 90 days	5	5,526
Retention payable	—	2,752
	<u>208</u>	<u>16,309</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

10. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2003: 17.5%).

- a) The movement in deferred tax (assets) and liabilities during the period is as follows:

	Deferred tax liabilities		Deferred tax assets		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the period	11	—	—	—	11	—
Charged to the income statement	255	—	(214)	(3)	41	(3)
At end of the period	<u>266</u>	<u>—</u>	<u>(214)</u>	<u>(3)</u>	<u>52</u>	<u>(3)</u>

- b) The Group has not recognised deferred tax assets approximately HK\$6,927,000 and HK\$6,445,000 in respect of tax losses as at 31 March 2004 and 2003.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 March 2004

11. SHARE CAPITAL

	31 March 2004		30 September 2003	
	Number	Nominal	Number	Nominal
	of shares	value	of shares	value
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01				
each (2002: HK\$0.4 each)				
At beginning of the period	160,000,000	1,600,000	4,000,000	1,600,000
Share consolidation	—	—	(3,600,000)	—
Increase during the period	—	—	159,600,000	—
	<u>160,000,000</u>	<u>1,600,000</u>	<u>160,000,000</u>	<u>1,600,000</u>
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	1,490,264	14,903	1,490,642	596,257
Decrease pursuant to share				
consolidation	—	—	(1,341,578)	—
Capital reduction	—	—	—	(594,766)
Share subscription	—	—	1,043,200	10,432
Share placement (Note)	97,200	972	298,000	2,980
	<u>97,200</u>	<u>972</u>	<u>298,000</u>	<u>2,980</u>
At end of the period	<u>1,587,464</u>	<u>15,875</u>	<u>1,490,264</u>	<u>14,903</u>

Note:

On 3 November 2003, the Company entered into a placing agreement ("Placing Agreement") with an independent placing agent in relation to the placing of 97,200,000 new shares of HK\$0.01 each in the Company, on a best effort basis, at a placing price of HK\$0.4325 per share, amounting to a total consideration of approximately HK\$42 million. The Placing Agreement was completed on 17 November 2003.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

12. CAPITAL COMMITMENTS

a) 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		Company	
	31 March	30 September	31 March	30 September
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,861	1,199	457	419
In the second to fifth years, inclusive	1,742	1,417	552	762
	<u>3,603</u>	<u>2,616</u>	<u>1,009</u>	<u>1,181</u>

b) Capital commitments

At 31 March 2003 and 2004, the Group had no capital commitments.

13. SIGNIFICANT RELATED PARTY TRANSACTIONS

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. The purchaser, Mr. Chan Chung Chiu ("Mr. Chan"), is a director of Fine Lord. Therefore, the transaction constitutes a connected transaction. The consideration was arrived at after arm's length negotiations between the Company and Mr. Chan. The consideration was satisfied by the release of a promissory note with outstanding amount of approximately HK\$5,873,000. Details of this transaction were set out in an announcement of the Company dated 31 March 2004.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 March 2004

14. LITIGATION

In April 2004, the Company paid USD375,000 to Guido Giacometti, a trustee of the estate of Mr. Sukamto Sia fka Sukarman Sukamto ("Mr. Sukamto"), a former director and substantial shareholder of the Company, to settle the proceedings against the Company in the U.S. Bankruptcy Court in the District of Hawaii claiming against the Company, among other things, the sum of US\$594,027 (of which US\$500,000 being partial refund of the deposit and US\$94,027 being interest accrued upon), together with attorneys' fees and costs. A provision of HK\$5,000,000 was made in prior years, as such, the overprovision of approximately HK\$2,075,000 was reversed and included in other revenue during the period.

15. POST BALANCE SHEET EVENTS

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 disposal is scheduled to complete on or before 30 June 2004.



INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF MACAU SUCCESS LIMITED

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 3 to 21.

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 Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

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 No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. 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 tests 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 an 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 2004.

Charles Chan, Ip & Fung CPA Ltd.

Certified Public Accountants

Hong Kong, 24 June 2004

Chan Wai Dune, Charles

Practising Certificate Number P00712

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 large 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 tourism 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 tourism 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 the 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 under 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 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 (30 September 2003: nil).

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 interest bearing borrowings over the shareholders' funds was 6.4%.

Capital Structure

Pursuant to the 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.

DIRECTORS

The Directors who held office during the period and up to date of this report were:

Executive Directors:

Mr. Yeung Hoi Sing, Sonny (Chairman)

Mr. Chan William

Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle (re-designated from independent non-executive Director on 30 March 2004)

Independent Non-executive Directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung (appointed on 30 March 2004)

Ms. Yeung Mo Sheung, Ann (appointed on 30 March 2004)

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests in Securities

As at 31 March 2004, 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 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	646,330,716	40.71%
Mr. Chan William (Note 2)	Long position	Corporate interest	258,856,716	16.31%

Notes :

- (1) Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 646,330,716 shares by virtue of the interest of the shares held by Silver Rich Macau Development Limited, 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 258,856,716 shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 31 March 2004, 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 7 March 2002 (the "Share Option Scheme"), the board of Directors may for a consideration of HK\$1 offer to selected eligible persons to subscribe for shares of the Company 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 of the Company, the average closing price of the shares of the Company 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 of the Company 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 7 March 2002.

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 2004, 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 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: -

Name of shareholder	Long position/ Short position	Nature of interest	Number of shares held	Approximate percentage of shareholding
Silver Rich Macau Development Limited	Long position	Corporate interest	646,330,716	40.71%
Spring Wise Investments Ltd.	Long position	Corporate interest	258,856,716	16.31%
Mr. Chan Hon Keung (Note)	Long position	Corporate interest	258,856,716	16.31%

Note: Mr. Chan Hon Keung is deemed to have corporate interest in 258,856,716 shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 31 March 2004, 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.

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 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 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.

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

Hong Kong, 24 June 2004