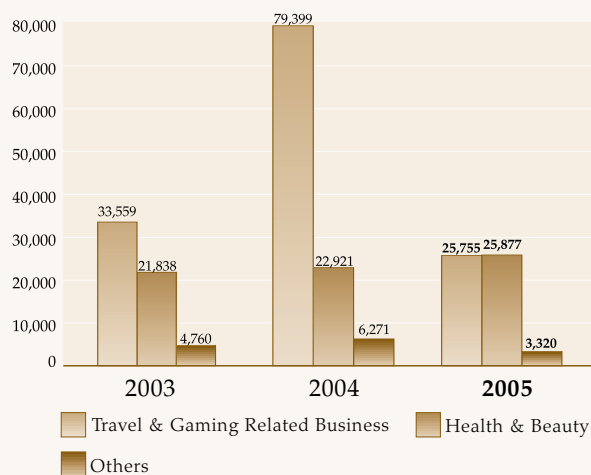


Management Discussion and Analysis

OPERATION REVIEW

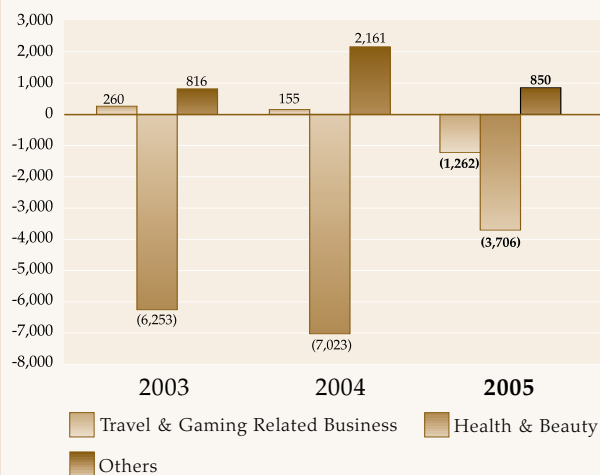
Segment Turnover

(HK\$000)



Segment Result

(HK\$000)



Century Legend (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the provision of travel agency services, gaming related business in Macau and provision of health and beauty services. For the year ended 31 December 2005, the emergence of new market operators in Macau leads to decrease in turnover and dividend income from travel and gaming related business. There was continuing improvement on the performance of health and beauty business.

TRAVEL AND GAMING RELATED BUSINESS

Although the gaming market in Macau has been continuously booming amid the sturdy growth in tourist arrivals from countries around the world especially Mainland China due to the much broader implementation of Individual Visit Scheme in more PRC cities, during the year under review, the Group still recorded a decrease of approximately 51% dividend income contributed from gaming intermediary operations. The decline was principally due to the suspension of gaming intermediary operations inside

the Hotel during an expansion renovation period lasting 7 months till the year end of 2005. In January 2006, gaming intermediary operations was resumed after the expansion and renovation of the casino inside the Hotel. Meanwhile, the gaming intermediary business on board the Omar III cruise liner had contributed around HK\$1.1 million in share of profit from associates to the Group up until October 2005 when the investment was disposed upon change of ownership of the vessel.

In November 2005, the Group and its substantial shareholder, China Sky, has each successfully acquired a 25% interests in the Hotel. The Hotel is situated in the prime location which is a densely populated area in Macau. The newly renovated Hotel is a perfect mix of a Middle-Age, Renaissance architecture and a Euro-style décor while the gaming facilities inside the Hotel expanded from one VIP room to two VIP rooms, one mass hall with 40 gaming tables and various slot machines. The stylish casino along with its high tech gaming equipments will definitely be the revenue driven force to the investment. The brand new image of the Hotel will also bring the synergy effect to the

Management Discussion and Analysis

gaming intermediary operation at Diamond Entertainment Hall situated inside the Hotel and of which the Group owns 15% interest.

The travel agency business, in the year under review, continued to suffer from fierce market competition. Turnover was down about 68% to approximately HK\$26 million attributable to the growing numbers of market rivals. In the coming year, with the increase in visitors traveling to and from Macau for business or leisure, the Group will continue to provide a wider variety of reasonably priced premium travel and entertainment packages as to cater different market needs. The Group anticipates the travel agency business will improve with the completion of the Hotel's all-round renovation.

During the year, the two companies set up by the Group and China Sky were granted the Licences under the Gaming Intermediaries Regulation of Macau to conduct gaming intermediary operations at Diamond Hall located in the Lisboa Casino, Macau and Diamond Entertainment Hall located in the premises of the Hotel. Written agreements were subsequently signed between the two companies and a casino operator to take up the gaming intermediary operations with immediate effect in March 2006. This latest government practice of granting gaming intermediary licences to

qualified market players and signing of agreement between casino operator and gaming intermediaries would formalise all former agreements which were merely verbally established between the parties. It certainly marks a milestone towards regulating the gaming intermediary business in Macau.

HEALTH AND BEAUTY BUSINESSES

During the year under review, the turnover of health and beauty businesses of the Group recorded a 13% increase to HK\$26 million. The net loss of the business segment further narrowed down by 47% to approximately HK\$4 million resulting from implementation of effective cost control measures and absence of massive lump sum relocation and renovation expenses incurred in 2004. To capitalise on the rebounding local economy in recent years, Headquarters has strived to uphold its up-market and professional image and tapped in the market of the young and fashionable niche group with its ever-stronger consumption power. During the year under review, the Group closed down the retail counter for nail services, Nailquarters located at the Beaute@Sogo, Causeway Bay after the rental contract expired in October 2005.



Macau Diamond Casino grand opening in January 2006.

Management Discussion and Analysis



Macau Diamond Casino 1st gaming floor.



Macau Diamond Casino 1st gaming floor slot machine corner.

OTHER BUSINESS SEGMENTS

For the money lending segment, the Group recorded a turnover of HK\$1.4 million and a net profit of HK\$1.4 million for the year, representing a decrease of 68% and 66% respectively over last year. Since 2004, the Group has been upholding a conservative lending policy in order to minimise credit risks.

The turnover of stock broking business was HK\$1 million (2004: HK\$0.8 million) for the year under review. The net loss was reduced by 50% to HK\$0.6 million mainly attributable to increase in sources of income and tightened cost control.

Regarding the trading business, the turnover reported HK\$0.9 million a drop of 15% over last year, while the segment result recorded a turnaround from a loss of HK\$0.5 million for last year to a segment profit of HK\$0.1 million for the year.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 December 2005, the Group recorded a significant decline in turnover of 49% to

approximately HK\$55 million (2004: HK\$109 million). The gross profit of the Group dropped by 11% to HK\$17 million (2004: HK\$19 million). The net loss of the Group increased to HK\$12 million (2004: HK\$1.1 million). The decline in the Group's turnover and increase in net loss were mainly attributable to the decrease in the turnover of travel businesses, decrease in dividend income from gaming intermediary businesses, decrease in share of profits from associates and loss on disposal of an associate incurred during the year.

Other revenue decreased by 48% to HK\$5 million mainly as a result of decrease in investment return from gaming intermediaries and decrease in gain from disposal of listed securities.

As at 31 December 2005, the Group's net asset value was HK\$145 million and had a net asset value per share of HK\$0.05. The Group's total assets and liabilities were HK\$155 million and HK\$10 million respectively.

Liquidity and Financial Resources

As at 31 December 2005, the Group had cash and cash equivalents of HK\$28 million and net current assets of

Management Discussion and Analysis

HK\$42 million. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2005 was approximately 5.1 (2004: 2.8). The Group maintained a strong working capital position during the year ended 31 December 2005.

The gearing ratio (calculated as the total long term loan to the total shareholders' equity) of the Group as at 31 December 2005 was zero (2004: 0.6).

The sales and purchases of the Group are mainly denominated in U.S. dollars or Hong Kong dollars with exchange rates relatively stable during the year under review, the Directors consider that the Group's exposure to fluctuations in exchange rates was minimal.

During the year ended 31 December 2005, the Group had no assets pledged. Neither the Company nor the Group had any significant contingent liabilities as at 31 December 2005 (2004: Nil). The Group's capital commitments as at 31 December 2005 was zero (2004: Nil).

CAPITAL STRUCTURE

During the year ended 31 December 2005, cash equivalent balance of convertible notes of HK\$41 million were fully converted into ordinary shares at HK\$0.3 per share based on the terms of convertible notes. Accordingly 139,999,994 new shares of HK\$0.01 each marking pari passu in all respects with the existing shares of the Company were allotted and issued to the noteholders.



A Deluxe Executive Club room in the Hotel.

DISPOSAL OF AN ASSOCIATE

In October 2005, the Group disposed of its 2.8% business interest in a gaming intermediary business on board Omar III cruiser for a consideration of HK\$13.6 million resulting in a loss on disposal of HK\$1.2 million.

EMPLOYMENT INFORMATION

As at 31 December 2005, the Group employed approximately a total of 160 employees (2004: 129). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 December 2005, the total staff costs (excluding Directors' emoluments) amounted to approximately HK\$15.3 million (2004: HK\$14.5 million).