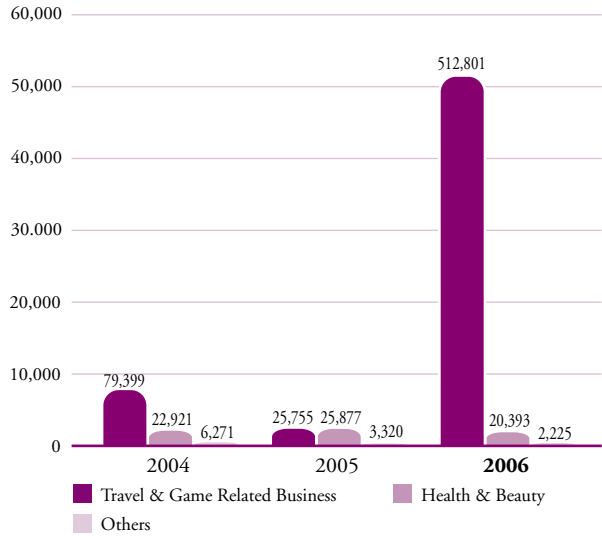


# Management Discussion and Analysis

## OPERATION REVIEW

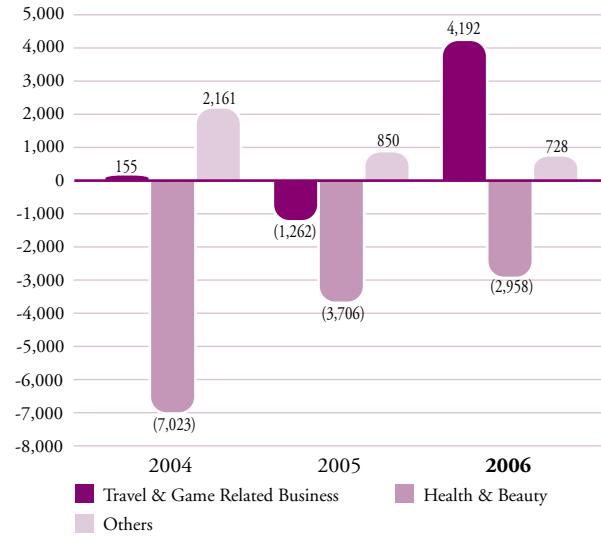
### Segment Turnover

(HK\$000)



### Segment Result

(HK\$000)



2006 was an exciting year for both Macau and the Group. Backed by strong tourist arrivals, official 2006 gaming turnover for Macau reached great heights and thus Macau has overtaken former frontrunner Las Vegas as the world’s top gaming destination. The Group’s core business, benefiting from the flourishing gaming and tourism industries, showed significant growth.

The loss attributable to shareholders decreased 93.1% to HK\$850,000. Without taking into account the one-off loss on dissolution of available-for-sale financial assets of HK\$5 million and impairment loss on available-for-sale financial assets of HK\$5 million, there is a net profit of HK\$9.2 million. The encouraging result was principally due to the profits shared from Longnex Limited, the Group’s associated company that is the beneficial owner of Holiday Inn Macau (the “Hotel”). The grand opening of Macau Diamond Casino (“MDC”) in the Hotel in January 2006 proved to have brought substantial synergy effect to the Group’s core business.



Macau Diamond Casino 1st gaming floor

# Management Discussion and Analysis

## Gaming and Leisure Related Business

In 2006, the Group's turnover from core business segment rocketed to HK\$512.8 million, up for nearly 20 times from the previous year. This encouraging result is contributed by the newly renovated MDC. Since its commencement of business in January 2006, the casino has become extremely popular among local visitors and tourists. Despite the launch of two major casinos in nearby area in the second half of 2006, business of MDC remained thriving. Coupled with the Group's investment in the Hotel, MDC has become the driving force of increasing turnover and net profit of this business segment.

The two gaming intermediaries, of which the Group holds 15% interest, entered into formal agreement with Sociedade de Jogos de Macau ("SJM"), one of the six gaming concessionaires in Macau, in March 2006 after being granted two gaming intermediary licenses in July 2005. This marked the beginning of regulated business operation of gaming intermediaries. The group recorded a loss of approximately HK\$5 million on dissolution of the two unincorporated syndicates who carried on gaming intermediary business before it was regulated.

Dividend income contributed to this business segment recorded a decrease of 8.5% to approximately HK\$2.5 million when compared to that of last year. One of the main reasons for such decrease was the rise in direct operational costs. Also, the operating environment has become much more competitive as the newly opened casinos engaged the gaming intermediaries to operate in their modern and luxurious gaming venue. At year end, it was noted an impairment loss of HK\$5 million from the group's investment in one of the gaming intermediaries operating at hotel Lisboa due to keen competition.



*Macau Diamond Casino 1st gaming floor  
slot machine corner*

## Health and Beauty Business

For the year under review, turnover of the Health and Beauty business segment was HK\$20.4 million, 21.2% lower than a year ago due to the disposal of its personal beauty and healthy centre Spa D'or on 1 August 2006 to cope with the Group's primary strategy of focusing on the development of core business.

Segment loss was declined by approximately 20.2% to HK\$2.9 million compared to that of last year. Currently, the Group only maintains the operation of a hair salon under the brand name of "Headquarters" in this business segment.

# Management Discussion and Analysis



*Holiday Inn Macau-Health Club*

## Other Business Segments

In 2006, turnover of the money lending business segment fell a further 36.3% to HK\$913,000 and segment profit was HK\$476,000, 64.8% lower than a year ago. The Group has adopted a policy to stream down this segment since 2004 and the policy has remained unchanged.

In the meantime, turnover of stock broking business was increased by 16.2% to HK\$1.2 million. As a result of continuous application in tight cost control measures, this segment recorded a turn-around profit of approximately HK\$281,000 for the year under review when compared to a loss in 2005.

Regarding the trading business, turnover further decreased 85.2% to HK\$129,000 because of inactive business activities. The segment recorded a slight loss in 2006 as compared to a profit last year.

## FINANCIAL REVIEW

### Financial Performance

For the year ended 31 December 2006, the Group's turnover soared to HK\$535.4 million (2005: HK\$55.0 million), accounting for an increase of over nine folds from the previous year. However, gross profit was reduced by 6.2% to HK\$15.8 million (2005: HK\$16.9 million). There is a net loss of HK\$850,000 compared to a net loss of HK\$12.3 million in last year.

The increase in the Group's turnover and improvement in net loss for the year were mainly attributable to share of profits from an associate and gain on disposal of a subsidiary.

Other revenues increased by 16.4% to HK\$6.1 million mainly as a result of increase in management fee income, bank interest income and sundry income.

# Management Discussion and Analysis

As at 31 December 2006, the Group's net asset value was HK\$168.3 million and had a net asset value per share of HK\$0.85. The Group's total assets and liabilities were HK\$178.3 million and HK\$10.0 million respectively.

## Liquidity and Financial Resources

As at 31 December 2006, the Group had cash and bank balances of HK\$46.2 million and net current assets of HK\$66.5 million. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2006 was approximately 7.6 (2005: 5.1). The Group maintained a strong working capital position during the year ended 31 December 2006.

The gearing ratio (calculated as the total long term loan to the total shareholders' equity) of the Group as at 31 December 2006 was zero (2005: zero).

The sales and purchases of the Group are mainly denominated in Hong Kong dollars, Macau Pataca and U.S. 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 2006, the Group had no assets pledged. Neither the Company nor the Group had any significant contingent liabilities as at 31 December 2006 (2005: Nil). The Group's capital commitment as at 31 December 2006 was zero (2005: Nil).

## Capital Structure

During the year ended 31 December 2006, there is share consolidation of every 20 shares of HK\$0.01 each into one consolidated share of HK\$0.20 each. The board lot size had been changed from 2,000 shares per board lot to 4,000 shares per board lot. There is also a rights issue of 66,148,799 rights shares at HK\$0.40 per share in the proportion of one rights share for every two shares held on the record date.

## Disposal of a Subsidiary

In August 2006, the Group disposed of its personal beauty and health center Spa D'or at a consideration of HK\$149,000 representing a gain on disposal of HK\$2.3 million.

## Employment Information

As at 31 December 2006, the Group employed approximately a total of 79 employees (2005:160). 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 2006, the total staff costs (excluding Directors' emoluments) amounted to approximately HK\$12.1 million (2005: HK\$15.3 million).