

Management Discussion and Analysis

The Group's turnover for the year 2005 increased by approximately HK\$5.42 million to approximately HK\$9.77 million. Although the Group's turnover has increased, trading business has remained difficult as the profit margin was slim. Other operating income increased by approximately HK\$1.63 million mainly because of the increase in interest income from bank deposits and loan to an investee company, and increase in dividends from financial assets at fair value through profit or loss. Net realized and unrealized losses on financial assets at fair value through profit or loss amounted to approximately HK\$16.50 million while the corresponding net realized and unrealized gain in 2004 was approximately HK\$2.69 million as the Group's investments in securities was not satisfactory due to fluctuation of the market and securities prices. During the year 2005, the Company has granted share options to employees to subscribe ordinary shares of the Company. Under the new Hong Kong Financial Reporting Standard 2, an amount of approximately HK\$13.44 million was recognized and included in the administrative expenses for the year to reflect the effect of granting the share options to employees. Finance costs have decreased during the year as the 2001 Convertible Notes (as defined below) were fully repaid in the year 2004 and the 2005 Convertible Notes (as defined below) were also been redeemed in March 2005. Overall, net loss for the year 2005 increased by approximately HK\$48.93 million to approximately HK\$51.71 million.

Looking forward, as interest rate is still on the rise and if coupled with other factors such as the possibility of outbreak of the avian flu, the market in the year 2006 may become more volatile. Thus the Group is cautious on the performance of its securities investment, and the trading business is currently also expected to remain difficult. The Group hopes to explore and seek new business opportunities, no specific new business opportunities are finalized at the moment.

During the year 2005, the Company has completed several fund raising activities and thus the financial position of the Group are much strengthened. As at 31 December 2005, the Group had cash and bank balances of approximately HK\$84.06 million and financial assets at fair value through profit or loss of approximately HK\$86.66 million. As at 30 June 2004, the Group still had convertible note payable in the principal amount of HK\$58 million (the "2001 Convertible Notes"). The 2001 Convertible Notes were originally issued on 3 July 2001 and was unsecured. It bore interest at 7% per annum and matured on the third anniversary of the date of issue. In July 2004, the 2001 Convertible Notes were fully repaid upon maturity. On 5 January 2005, the Company entered into an agreement with a placing agent for placement of convertible notes issued by the Company up to an aggregate principal amount of HK\$50 million (the "2005 Convertible Notes") to independent third parties. The 2005 Convertible Notes were unsecured and bore interest at 3% per annum, payable upon one year from the date of issue. Details of which has been disclosed in the Company's announcement dated 5 January 2005 and the circular dated 19 January 2005. Net proceeds from the 2005 Convertible Notes amounted to approximately HK\$ 48.5 million. All the 2005 Convertible Notes have been redeemed and repaid in full in March 2005. As at 31 December 2005, the Group had no loans or borrowings outstanding. The Group employed about twenty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In

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addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. Total staff costs for the current period was around HK\$25.18 million. During the year 2005, the Company has granted share options to employees to subscribe 656,000,000 ordinary shares of the Company at the subscription price of HK\$0.038 per share, and all these share options granted had been exercised during the year. As at 31 December 2005, no share options granted were outstanding.

On 10 January 2005, the Company entered into agreement with a placing agent for placement of 1,367,484,000 new shares to independent third parties at a price of HK\$0.052 per new share on a fully underwritten basis (the “First Placing”). On the same date, the Company entered into another agreement for placement of 3,000,000,000 new shares to independent third parties at a price of HK0.052 per new share on a best effort basis (the “Second Placing”). The First Placing has been completed whilst the Second Placing has been lapsed. Details of the First Placing and the Second Placing have been disclosed in the Company’s announcements dated 10 January, 28 February, 24 March, 31 May and 4 July 2005 and circular dated 19 January 2005. Net proceeds from the First Placing was approximately HK\$69 million of which HK\$30 million was advanced (“Found Macau Loan”) to Found Macau Investments International Limited (“Found Macau”). The Group has an investment in Found Macau (details of the investment and the Found Macau Loan have been disclosed in the Company’s announcement dated 10 June 2005 and circular dated 27 June 2005). The balance of the net proceeds of approximately HK\$39 million from the First Placing was used for the general working capital of the Group.

On 24 May 2005, the Company entered into agreement with a placing agent for placement of new shares of the Company on a fully underwritten basis. The placing agreement was terminated on 27 May 2005 and was replaced by a new placing agreement entered into between the Company and the placing agent on 27 May 2005 for placement of up to 150,000,000 new reorganized shares to independent third parties at a price of HK0.27 per new reorganized share (conditional upon the proposed reorganization of share capital as described below becoming effective) on a best effort basis. This new placing agreement was subsequently lapsed in August 2005. Details of which has been disclosed in the Company’s announcements dated 27 May and 15 August 2005.

On 27 May 2005, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 20 shares into 1 consolidated share. Details of which have been disclosed in the Company’s announcement dated 27 May 2005 and circular dated 14 June 2005. The proposed reorganization of share capital was approved by shareholders on 8 July 2005 and became effective on 11 July 2005.

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On 24 August 2005, the Company entered into agreement with a placing agent for placement of 88,600,000 new shares of the Company to independent third parties at a price of HK\$0.10 per new share on a fully underwritten basis. The market closing price of the Company's shares on 24 August 2005 was HK\$0.112 per share. Details of the placing has been disclosed in the Company's announcement dated 24 August 2005. The placing was completed in September 2005 and the net proceeds of approximately HK\$8.5 million was used for general working capital purposes.

On 6 October 2005, the Company announced proposed rights issue of 2,126,581,276 rights shares at a price of HK\$0.05 per rights share on the basis of four rights shares for every share held. Details of which have been disclosed in the Company's announcement dated 6 October 2005 and circular dated 29 October 2005 and prospectus dated 16 November 2005. The proposed rights issue was approved by shareholders on 15 November 2005, and net proceeds of the rights issue for general working purposes amounted to approximately HK\$102 million. As at 31 December 2005, approximately HK\$52 million of the net proceeds was used for general working capital purposes.

On 19 January 2006, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 5 shares into 1 consolidated share. Details of which have been disclosed in the Company announcement dated 19 January 2006 and circular dated 7 February 2006. The proposed reorganization of the share capital was approved by shareholders on 3 March 2006 and became effective on 6 March 2006.