Management Discussion and Analysis

The Group's revenue for the year 2006 decreased by approximately 21% to approximately HK$8.35 million. The Group's metal trading business has been tough and it accounted for about HK$5.88 million of revenue. Investments in securities yielded about HK$2.47 million dividend income but fair value changes on investments held for trading recorded a loss of about HK$21.18 million as the market has been quite volatile. Other income increased by approximately HK$1.41 million mainly because of the increase in interest income from bank deposits and loan to an investee company. Administrative expenses has dramatically decreased since no share options have been granted during the year 2006 as opposed to the year 2005. In view of the recurring losses incurred by Found Macau Investments International Limited ("Found Macau"), the Group reviewed the carrying amounts of available-for-sale investment and the loan to Found Macau based on the expected recoverable amount and had made full impairment losses on them. During the year 2006, the Group has also disposed subsidiaries of which investments mainly include the Group's jointly controlled entities and recorded a total gain of about HK$7 million. Finance costs decreased as there was no expense related to convertible notes as opposed to the year 2005. Overall, net loss for the year 2006 increased by approximately HK$10.08 million to approximately HK$61.79 million.

Looking forward, although the interest rate has stopped rising for the moment, we are still uncertain on its trend and there also have risks that the economy may experience correction in future, thus the market for the year 2007 may continue to be challenging. The Group tends to remain cautious on the performance of its securities investment operation and also its trading business.

As at 31 December 2006, the Group had cash and bank balances of approximately HK$10.20 million and investments held for trading at market value of approximately HK$136.43 million. As at 31 December 2006, the Group had no loans or borrowings outstanding. The Group employed about twenty staff as at the year end. 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 addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. Total staff costs for the year 2006 was around HK$12.05 million. No share options have been granted during the year, and as at 31 December 2006 no share options granted were outstanding. During the year, the unused net proceeds from the rights issue in 2005 has been utilized for general working capital purposes for the Group including, among other things, securities trading operations.

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.

Subsequent to 31 December 2006, the Company entered into an underwriting agreement with a placing agent on 15 March 2007 for the placement of 100,000,000 new shares of the Company at HK$0.16 per share. On the same date, the Company also entered into placing agreements with the same placing agent on a best-efforts basis for placement of up to a maximum of 500,000,000 new shares of the Company at HK$0.16 per share and convertible notes with principal amount of not more than HK$150,000,000. Details of these placings have been disclosed in the Company's announcement dated 22 March 2007 and circular dated 11 April 2007.