



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 September 2006, the Group had not recorded any turnover from its continuing operations (2005: HK\$62.3 million). The decrease in turnover was mainly due to the increased volatility of global metals and minerals market, and the increase of relevant transportation and freight costs during the period.

Owing to restructuring of the Group's operation, the consumer products business was discontinued by the disposal of Unicon Spirit Development Ltd. and its subsidiaries (the "Unicon Group") during the period.

As a result, there was a net loss attributable to shareholders of the Company of HK\$6.3 million for the period (2005: HK\$2.2 million). Basic loss per share for the period was HK\$0.0068 (2005: HK\$0.0025).

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 September 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECTS

Consumer products business

As mentioned in the 2006 annual report of the Company, there was a rise in raw materials and manufacturing costs of consumer products and an intense market competition on global consumer products market. As a result, the gross profit margin of the Group's consumer products business dropped from approximately 30% to approximately 17% during the past financial year.

In view of the above, the Directors decided to reformulate the Group's business strategy by disposing its consumer products business by the disposal of its entire 60% interest in Unicon Group (the "Disposal"). The Directors considered that the Disposal will allow the Group to focus on its other core businesses, including but not limited to, metals and minerals trading. The Disposal was completed on 17 August 2006 and it constitutes the discontinued operation of the Group for the six months ended 30 September 2006.

Metals and minerals trading

The demand for metals and minerals was volatile in PRC during the period due to increased volatility of global metals and minerals market as well as the increase of transportation and freight costs. The Group will be cautious and careful in dealing with the metals and minerals trading business.

In the meantime, the Group will also focus its efforts to identify and pursue other resources type trading business and the Directors believe that the Group will be able to take up such opportunities when they arise.

LIQUIDITY AND FINANCIAL RESOURCES

The Company announced on 7 July 2006 that the Company proposed for a placement of up to 150,000,000 new shares at the issue price of HK\$0.055 per placing share (the "Placing"). The Directors have considered various ways of raising additional funds for future use and having considered that the recent rising trend of interest rates of bank loans, the Directors consider that the Placing represents an opportunity for the Company to raise capital at a relatively low cost while broadening the shareholder base of the Company. The Placing was completed on 26 July 2006 and 150,000,000 new shares were issued to independent third parties. The net proceeds of approximately HK\$8.04 million will be used for general working capital of the Group and for future investments.

Besides the capital raised as mentioned above, the Group generally finances its operations with internally generated cashflows during the period under review.

The Group's gearing ratio as at 30 September 2006 and 31 March 2006 were nil as there were no bank borrowings at the respective dates. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 30 September 2006, the Group had bank balances and cash of approximately HK\$13.1 million (31 March 2006: HK\$13.9 million). The Group had also obtained banking facilities with total amount of US\$12.0 million (31 March 2006: Nil) which has not been utilized as at 30 September 2006. Bank deposits of HK\$468,000 (31 March 2006: Nil) as at 30 September 2006 were pledged to secure these banking facilities.

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The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable are denominated in US dollars and Renminbi. Foreign exchange exposure in respect of US dollars and Renminbi are considered to be minimal as HK dollars have been pledged with US dollars, and despite the recent gradual appreciation of Renminbi, the exchange rate of Renminbi against HK dollars is still considered relatively stable as it is expected that the PRC Central Government will continue to monitor the appreciation of Renminbi carefully. For other currencies, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2006, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Personal	311,232,469	—	30.12%

Save as disclosed above, as at 30 September 2006, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No director, whether directly or indirectly, had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, no person, other than Mr. Cheung Ngan's interests which are disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2006.

CORPORATE GOVERNANCE

During the six months ended 30 September 2006, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") except the following:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.



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Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific terms, subject to re-election.

The current independent non-executive directors of the Company are not appointed for a specific term as required by code provision A.4.1. The relevant Bye-law of the Company stipulates that all directors, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions (the "Model Code").

Specific enquiry has been made of all the directors of the Company who have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 September 2006.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2006.

By Order of the Board

Cheung Ngan

Chairman

Hong Kong, 14 November 2006