

Management Discussion and Analysis

RESULTS

For the year ended 30 April 2005, the Group's turnover slightly increased by 7% to approximately HK\$46,985,000 compared to the same period last year. The turnover was mainly derived from the dealing of listed securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year under review, the Group suffered from the volatility of the equity market and was unable to make profit on trading of listed securities. In order to effectively utilize the financial resources to support the Group's new business development, the Group decided to shrink the short term investment portfolio. It resulted in a gross loss of HK\$20,692,000 arose from disposal of the short term investment in listed securities. The administrative expenses were reduced by HK\$6,597,000 to HK\$21,736,000 after taking various measures in controlling the operating costs and expenses. The administrative expenses were mainly incurred for the development of new businesses including the recycling business, instant result type online lottery business and coding system business during the year under review. In a consequence, the net loss attributable to shareholders amounted to about HK\$46,298,000 (net loss of HK\$34,690,000 in 2004).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2005, the Group's current ratio was 3.3, based on the current assets of HK\$28.5 million and current liabilities of HK\$8.6 million. The Group's gearing ratio was 0.26, based on non-current liabilities of HK\$10 million and shareholders' equity of HK\$39.1 million.

As at 30 April 2005, the Group's cash and short term loan receivable was about HK\$24,947,000 whereas total liabilities including the convertible notes were about HK\$18,564,000. The Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

Other than the pledge of the commercial complex in Malaysia to the bank consortium by the jointly controlled entities for obtaining the syndicated bank loan, the Group has also pledged to the financial institutions its investment in listed securities amounting to HK\$1,437,000 for securities margin financing as at 30 April 2005.

CAPITAL STRUCTURE

During the year, HK\$10,000,000 2% convertible notes due 2005 were converted into 200,000,000 ordinary shares (par value of HK\$0.05 each) of the Company. As at the balance sheet date, the total number of issued ordinary shares of the Company is 1,876,612,818 and the outstanding balance of the 2% convertible notes after such conversion is HK\$10,000,000.

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The convertible notes bear annual coupon interest rate of 2% and convertible into ordinary shares on or before 9 December 2005, being the fifth business days before the maturity date of the convertible notes at the conversion price of HK\$0.05 each (subject to adjustment) into 200 million new ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Other than the property investment in Malaysia, the Group's cash balance and short term investments are in the currency of Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group has not made any material acquisition or disposal of subsidiaries during the year ended 30 April 2005.

CONTINGENT LIABILITIES

As at 30 April 2005, the Company entered into letters of guarantee with a financial creditor to provide unlimited corporate guarantee and an aggregate amount not exceeding HK\$10,000,000 to its wholly-owned subsidiaries to secure general facilities granted to them.

EMPLOYEES, REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 30 April 2005, the Group had 18 employees (2004: 7). The remuneration packages consists of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

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BUSINESS REVIEW

During the year under review, short term investment in listed securities remained the core business activities of the Group. Turnover from trading of listed securities amounted to HK\$46,985,000 whereas cost of sales, representing the cost of listed securities investment, was HK\$67,677,000. As a result, a gross loss of HK\$20,692,000 was recorded for the fiscal year 2005. Given the high market volatility, the Group has shrunk its short term listed securities investment portfolio and will take a cautious and conservative approach in dealing of listed securities in the future.

To avoid reliance on securities investment activities, the Group has devoted to explore other potential businesses for generating steady and reasonable return to the shareholders. During the year under review, the Group has successfully set up three joint venture companies engaged in recycling business, instant result type online lottery business and coding system businesses under the co-operations with strategic partners possessing good experiences and expertise in the respective field.

In October 2004, the Group formed a joint venture company with China Chengtong Holdings Company ("China Chengtong") for commencing the recycling business. China Chengtong is a state-owned pillar enterprise principally under the supervision of State-owned Assets Supervision and Administration Commission of the State Council. Taking advantages of China Chengtong's substantial business operation and associations in China, the newly established recycling business joint venture has promptly commenced operation by making investments in a natural resources processing plant in Guizhou, setting up a recycling park in Yantai and operation of a recycling market in Beijing. China Chengtong will provide further assistance in referring potential recycling businesses to the Group in the near future.

The Group has entered into joint venture agreements with two PRC partners separately for undertaking instant result type online lottery business and coding system business in China. These two ventures are still in the preparatory stage and business operation has not yet commenced.

PROSPECTS

Coping with the continuous rapid economic growth in China, the demand for natural resources has been driven up sharply offering enormous business opportunities. The Group has successfully stepped into the natural resources business in the PRC through the commencement of recycling business activities. The investments in the recycling business also laid down a good foundation for the Group to explore further investment opportunities in the natural resources sector for the Group's future growth and development.

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On 8 August 2005, China Times has acquired 62.08% issued shares of the Company and became the controlling shareholder. It is the intention of China Times to continuously focus on the existing businesses including the business related to processing of recycling materials in view of the promising outlook of recycling business in China. The Group will be assisted by China Times in the financial and business aspect for exploring potential businesses with the Group's operations.