

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2006, the number of employees of the Group was about 270. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and traveling allowances and discretionary bonuses.

PROSPECTS

ENERGY AND NATURAL RESOURCES SECTORS

To further increase the shareholders' value in the Company, the Company has been exploring new business opportunities for the Group actively. In view of the limited supply but ever increasing demand for energy and natural resources, the Management will correspondingly formulate prompt and appropriate operation and investment strategies to capitalize any business opportunities arisen and to timely expand into the new energy and resources business with high potential growth. The Management is also of the opinion that diversification of the Group's business into the coal mining and related business can provide additional dividend revenue to the Group and reduce the Group's business risk.

The Management believes that China's economic development will expand continuously within the next 10 years thus there will be a strong increasing demand for energy and natural resources, providing a great opportunity for the Company to achieve fast-growing development. Given the broad social network resources of the new Board of Directors formed in June 2006, and the Management Team's extensive experience and ability in business development, the Management strongly believes that the Company will, while retaining the logistics business which has collaborative and synergy effect, strengthen its energy and natural resources business and bring very good investment return to the shareholders.

In October 2006, the Group has successfully completed the acquisition of a 40% equity interests of a coal mining company, Shanxi Taiyuan Sanxing Coal Gasification (Group) Company Limited at a consideration of HK\$400 million. The Group has also spent HK\$50 million to acquire a 50% equity interests in and has become the single largest shareholder of Euro Resources China Limited. This plastic resources recycling project has great development potential and also its products have huge demand in the PRC market. It is expected that the coal mining project and plastic resources recycling project will bring long-term to the Group.

LOGISTICS BUSINESS

In order to increase the market share of the logistics business, the Company has entered into an agreement to acquire a 60% equity interest of Pearl Oriental Logistics Sino Limited at a consideration of HK\$22 million.

It is expected that the Company's share of guaranteed profits from the above three acquisitions will be approximately HK\$323 million in aggregate in the coming three years from 2007 to 2009.

The Company has also entered an agreement to acquire the remaining 40% equity interest of Guangzhou Pearl Oriental Logistics Company Limited (“Guangzhou Pearl Oriental”) and Jiangxi Pearl Oriental Logistics Co., Ltd. (“Jiangxi Pearl Oriental”) in September 2006. Guangzhou Pearl Oriental and Jiangxi Pearl Oriental will become wholly owned subsidiaries of the Company after completion. Recently, Guangzhou Pearl Oriental has been actively expanding and soliciting new sizeable customers and a few high quality customers have been secured, therefore it is expected that it will have strong growth in its business in the coming year.

The Company will operate and invest bilaterally in energy and natural resources business as well as logistics business. As the energy and resources projects require more capital investment thus will account for as high as 70% of the total net assets of the Company.

FINANCIAL POSITIONS OF THE GROUP

After Mr. Wong Kwan became the new controlling shareholder of the Company on 24 May 2006, the financial positions of the Group have been improved immediately. Apart from the proceeds of HK\$80 million from the issue of new shares, an unsecured loan facility of HK\$70 million has been granted by Mr. Wong Kwan to the Group as additional working capital which is beneficial to the Group’s various investing and operating activities. As a whole, all of our major bankers, customers and business partners have great confidence in the Group’s future development. Therefore, the Group will be in a better position to grasp various business opportunities in the future.

MANAGEMENT

In order to protect the interests of the Company’s shareholders, the New Management has already taken the Legal Action against the former controlling shareholder, certain former directors and related parties to recover the Group’s damages amounting to about RMB64.5 million resulted from their improper use of the Group’s funds.

The New Management has built brand new corporate culture of the Group that not only creates value for the shareholders, but also boosts the team spirit of the employees and is beneficial to the all round and balanced development of the Group.