

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2005, the Group's turnover was HK\$1,867,000 from sale of asphaltic rocks under its new energy and natural resources business segment (six months ended 30 September 2004: Nil). Net loss attributable to shareholders was approximately HK\$5.5 million (six months ended 30 September 2004: net loss of approximately HK\$6.7 million). This is an improvement of 18% compared to the same corresponding period last year. The "other operating expense" reported under corresponding period ended 30 September 2004 relates to net loss from sale of properties held as investment properties and fully disposed off.

MAJOR PROJECTS AND PROSPECTS OF THE GROUP

The Group has been taking active steps to focus on the energy and resources sector. The following sets out briefly the progress of projects, which the Group has been working on.

ENERGY RESOURCES BUSINESS

Energy Projects

Indonesia-Bitumen Joint Venture Extraction Project

- a) On April 2005, Sino Prosper Resources Limited ("SPRL"), a subsidiary of the Company entered into a joint venture agreement with two Indonesians, Mr. Sayono and Mr. Hariono Moeliawan, to establish a joint venture company under the proposed name of "P.T. Sino Prosper Indocarbon" ("SPI") in Indonesia, whose business will involve the extraction of bitumen in Buton Island, Indonesia (the world's largest bitumen mine). For phase 1 of the bitumen extraction project, a minimum of 1,200,000 metric tons of marine fuel oil and a minimum of 50,000 metric tons of asphalt modifier will be produced. Under the joint venture agreement, upon the establishment, SPI will be owned as to 65% by the Group, and 25% and 10% respectively by the Indonesian counterparties respectively.

