

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2006, no turnover was generated. For the six months ended 30 September 2005, the Group's turnover of HK\$1,867,000 was from sale of asphaltic rocks under its new energy and natural resources business segment. Net loss attributable to shareholders was approximately HK\$95.7 million (six months ended 30 September 2005: net loss of approximately HK\$5.5 million). Such huge amount of loss for the period as compared with the last corresponding period mainly represents equity settled share-based payments amounting to HK\$84.3 million (six months ended 30 September 2005 HK\$0.80 million).

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.

1. Indonesia-Bitumen Joint Venture Extraction Project

The joint venture owned the right to carry out general exploration on mineral resources of a total of 22,076 hectares area of land, and the right has been extended for another year pursuant to the law and regulations of the Indonesian government, among which detailed exploration work regarding 1,150 hectares area of land has begun. According to the report completed by the exploration team in September 2006, Buton Bitumen reserve is estimated to be around 9,300,000 tones.

Conditioned upon the fully compliance with all relevant laws and regulations, the joint venture will be engaging in the exploration of mineral resources on 1,150 hectares area of land.

In addition, the Indonesia joint venture has successfully developed a new extraction technology. The new extraction technology achieved a speed enhancement of 50% as compared with the previous means of extraction. This helps to reduce the time required for the extraction of oil reserves, the energy used and the overall cost.

First patch of joint venture's trade in Buton Bitumen has been delivered in December 2006.

2. Sino Prosper Re-Energy and Guangxi Shenzhou Biofuel Production Operation

In response to the invitation from the Investment Promotion Bureau of Guangxi Zhuang Autonomous Region, on 15 December 2006, Sino Prosper Re-energy entered into the Framework Agreement with Guangxi Shenzhou in relation to the proposed formation of a joint venture company which is principally engaged in the operation of a raw material production base of biological fuel for fuel ethanol.