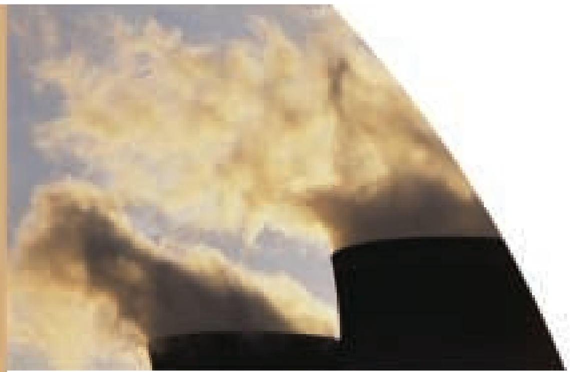


中盈控股有限公司

Sino Prosper Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2005

INTERIM RESULTS

The Board of Directors (the "Board") of Sino Prosper Holdings Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005. These unaudited interim results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		6 months ended 30 September	
		2005	2004
	Notes	**HK$'000**	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	4	**1,867**	–
Cost of sales		**(1,400)**	–
Gross profit		**467**	–
Other operating income/(expenses)		**7**	(3,798)
Selling expenses		**–**	–
Administrative expenses		**(5,807)**	(2,757)
Loss from operations	5	**(5,333)**	(6,555)
Finance costs		**–**	–
Share of loss from an associate		**–**	(99)
Loss before taxation		**(5,333)**	(6,654)
Taxation	6	**–**	–
Loss for the period		**(5,333)**	(6,654)
Net loss attributable to:-			
– Equity holders of the Company		**(5,492)**	(6,654)
– Minority interests		**159**	–
		(5,333)	(6,654)
Loss per share	7		
– basic		**(0.57 cents)**	(0.83 cents)
– diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2005 (Unaudited) HK$'000	As at 31 March 2005 (Audited) HK$'000
Non-current assets			
Investment properties		–	–
Fixed assets	9	620	787
		620	787
Current assets			
Trade receivables	10	96,867	129,651
Other receivables and prepayments		15,081	16,008
Secured promissory notes	11	–	3,592
Amount due from ultimate holding company	12	–	24
Cash and cash equivalents		50,095	38,642
		162,043	187,917
Less: Current liabilities			
Trade payables and accruals		16,629	43,105
Current portion of obligation under a hire-purchase contract	16	113	186
		16,742	43,291
Net current assets		145,301	144,626
Less: Non-current liabilities			
Obligation under a hire-purchase contract	16	663	683
Net assets		145,258	144,730
Capital and Reserves			
Share capital	13	11,120	9,150
Reserves		133,979	135,580
Equity attributable to equity holders of the Company		145,099	144,730
Minority interests		159	–
		145,258	144,730

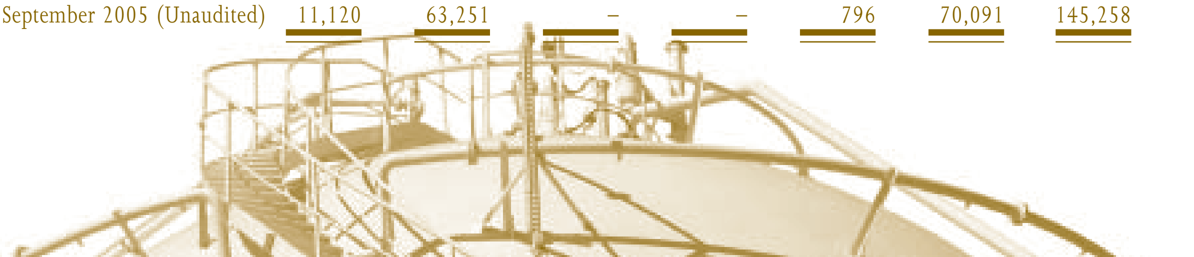
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**2,191**	(807)
Net cash used in investing activities	**–**	(11,222)
Net cash generated from financing activities	**9,262**	8,371
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**11,453**	(3,658)
Cash and cash equivalents at the beginning of the period	**38,642**	3,932
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**50,095**	274
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**50,095**	274

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK$'000	Share Premium HK$'000	Translation Reserve HK$'000	Revaluation Reserve HK$'000	Retained Profits HK$'000	Total HK$'000
As at 1 April 2004 (Audited)	8,000	16,365	–	124,117	70,536	219,018
Disposal of properties (Unaudited)	–	–	–	(47,676)	–	(47,676)
Net loss for the period (Unaudited)	–	–	–	–	(6,654)	(6,654)
As at 30 September 2004 (Unaudited)	8,000	16,365	–	76,441	63,882	164,688

	Share Capital HK$'000	Share Premium HK$'000	Translation Reserve HK$'000	Revaluation Reserve HK$'000	Share Option Reserve (effects of adopting HKFRS 2) HK$'000	Retained Profits HK$'000	Total HK$'000
As at 1 April 2005 (Audited)	9,150	59,480	–	–	–	76,100	144,730
As at 1 April 2005 (Adjusted)	9,150	59,480	–	–	676	75,424	144,730
Share options exercised (Unaudited)	140	3,795	–	–	–	–	3,935
Placing of rights to warrants (Unaudited)	1,830	–	–	–	–	–	1,830
Expense in relation to issue of rights to warrants (Unaudited)	–	(24)	–	–	–	–	(24)
Share options expensed (Unaudited)	–	–	–	–	120	–	120
Net loss for the period (Unaudited)							
– attributable to equity holders of the Company	–	–	–	–	–	(5,492)	(5,492)
– attributable to minority interests	–	–	–	–	–	159	159
As at 30 September 2005 (Unaudited)	11,120	63,251	–	–	796	70,091	145,258



Notes:

1. **Basis of preparation and accounting policies**

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the audited annual financial statements for the year ended 31 March 2005.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 28 February 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The adoption of new/revised HKASs and HKFRSs did not result in substantial changes to the Group's accounting policies except those specifically set out in Note 2 below.

2. **Changes in accounting policies**

The effect of adopting new HKFRS 2 "Share Based Payments".

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees and consultants did not result in an expense in the income statements. Effective on 1 April 2005, the Group expenses the cost of the share options in the income statement. For the six months ended 30 September 2005, as a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 30 September 2005 was expensed retrospectively in the income statement of the respective periods. The adoption of HKFRS 2 resulted in:

	As at 30 September 2005 HK$	As at 31 March 2005 HK$
Increase in share reserve	**120,000**	676,000
Decrease in retained profits	**120,000**	676,000

	6 months ended 30 September 2005 HK$	Year ended 31 March 2005 HK$
Increase in consultancy fees	–	278,000
Increase in employment costs	**120,000**	398 000
	120,000	676,000
Decrease in basic loss per share	**(0.02 cents)**	(0.09 cents)
Decrease in diluted earnings per share	**N/A**	N/A

The adoption of HKFRS 2 resulted in a decrease of HK$676,000.00 in opening retained profits at 1 April 2005. For the year ended 31 March 2005, comparatives have been amended as required, in accordance with the relevant requirements.

The calculation of basic earnings per share (EPS) for the year ended 31 March 2005 as reported in the annual report 2005, based on the profit attributable to shareholders of HK$5,564,000.00 and on weighted average number of 822,370,000 ordinary shares in issue or deemed to be in issue throughout the year presented was adjusted to HK$4,887,790.00. Based on the same number of weighted average number of shares in issue or deemed to be in issue throughout the period resulted in a decrease of calculated EPS by HK0.09 cents to HK0.59 cents. For the period up to 30 September 2005, the adoption of HKFRS 2 resulted in decrease of EPS by HK0.02 cents to HK0.57 cents based on loss attributable to shareholders of approximately HK$5,492,000.00 and on weighted average number of 965,066,667 ordinary shares in issue or deemed to be in issue throughout the period.

Diluted earnings per share have not been presented as there were no dilutive potential ordinary shares outstanding for the period ended 30 September 2005 and year ended 31 March 2005.

Certain comparative figures have been reclassified to confirm with current period presentation.

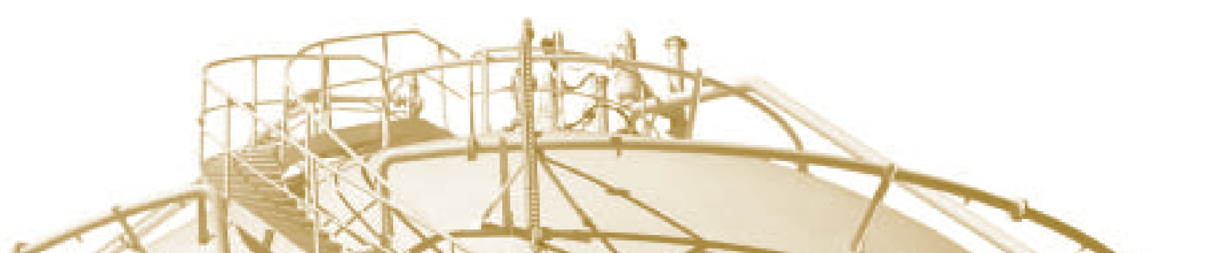
3. Segment information

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
(a) Analysis of turnover segment		
Property sales	**–**	–
Asphaltic rocks sales	**1,867**	–
	1,867	–

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
(b) By geographical segment		
China	**–**	–
Indonesia	**1,867**	–
	1,867	–

(c) By business segment

	(Unaudited) Property Development 6 months ended 30 September		(Unaudited) Energy and Natural Resources 6 months ended 30 September		(Unaudited) Consolidated 6 months ended 30 September	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**–**	–	**1,867**	–	**1,867**	–
Segment results	**(83)**	(3,801)	**453**	(2)	**370**	(3,803)
Bank interest income					**7**	–
Unallocated expenses					**(5,710)**	(2,851)
Loss from operating activities					**(5,333)**	(6,654)
Finance costs					**–**	–
Loss before taxation					**(5,333)**	(6,654)
Taxation					**–**	–
Loss before minority interests					**(5,333)**	(6,654)
Minority interests					**(159)**	–
Loss from ordinary activities attributable to shareholders					**(5,492)**	(6,654)



4. Turnover

Turnover represents net proceeds after business tax and discounts received and receivable from the sales of properties in China to outside customers, management fee income and sale of natural resources, asphaltic rocks.

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
Proceeds from sale of properties	–	–
Sales of asphaltic rocks	**1,867**	–
	1,867	–

Business tax is only calculated at 5% on the proceeds received and receivable from the sale of properties.

5. Loss from operations

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration	**1,893**	870
Other staff costs (excluding directors):		
Salaries and allowances	**619**	888
Retirement benefit scheme contributions	**27**	12
Total staff costs	**2,539**	1,770
Auditors' remuneration	**150**	112
Depreciation of owned fixed assets	**158**	7
Gain on disposal of fixed assets	**9**	3,798
and after crediting:		
Interest income	**7**	–

6. Taxation

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

The charge represents the PRC income tax. The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC. No provision for the PRC income tax has been made for the current period since there was no assessable profit during the period.

Deferred tax has not been provided for in these Interim Accounts as the amounts involved are not significant (30 September 2004: Nil).

7. Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (HK$)	**(5,492,000)**	(6,654,000)
Weighted average number of ordinary shares in issue	**965,066,667**	800,000,000
Basic loss per share (HK cents per share)	**(0.57)**	(0.83)

Diluted

Diluted earnings per share have not been presented as there were no dilutive potential ordinary shares outstanding for the period ended 30 September 2005 (30 September 2004: Nil).

8. Interim dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2005 (2004: Nil).

9. Fixed assets

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At cost:				
As at 1 April 2005 (Audited)	52	980	77	1,109
Disposal (Unaudited)	–	–	(11)	(11)
As at 30 September 2005 (Unaudited)	52	980	66	1,098
Accumulated depreciation:				
As at 1 April 2005 (Audited)	10	294	18	322
Charge for the period (Unaudited)	5	147	6	158
On disposal written back (Unaudited)	–	–	(2)	(2)
As at 30 September 2005 (Unaudited)	15	441	22	478
Net book value:				
As at 30 September 2005 (Unaudited)	37	539	44	620
As at 31 March 2005 (Audited)	42	686	59	787

10. Trade receivables

The Group's trade receivable comprises of sale of own-developed properties, energy and natural resources. For the property segment, the Group grants credit terms to purchasers of properties on the merit of individual purchaser's credit. For energy and natural resource segment, customers are credit assessed and rated for credit approval. The aged analysis of trade receivables as at 30 September 2005 and 31 March 2005 are as follows:

	As at 30 September 2005 (Unaudited) HK$'000	As at 31 March 2005 (Audited) HK$'000
0 – 90 days	**1,867**	95,000
91–180 days	**95,000**	7,991
181–270 days	**–**	26,660
	96,867	129,651

11. Secured promissory notes

Pursuant to a conditional sale and purchase agreement dated 23 March 2004, a secured promissory note of HK$4,000,000 was issued in favour of the Group and was to be paid on 31 December 2004. Pursuant to a supplementary agreement dated 10 January 2005, the repayment of the secured promissory note was extended and interest was charged at 10% per annum on the outstanding amount. The final principal outstanding amount of HK$3,500,000 was subsequently settled on July 2005.

12. Amount due from ultimate holding company

The amount due is unsecured, interest free and has no fixed terms of repayment.

13. Share capital

	Company	
	As at 30 September 2005	As at 31 March 2005
Authorised:		
20,000,000,000 of ordinary shares of HK$0.01 each:	**200,000,000**	200,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each:		
As at 31 March 2005/2004	**9,150,000**	8,000,000
New issue of shares by way of placing *(note) (a)*	**–**	1,150,000
(note) (b)	**140,015**	–
(note) (c)	**1,830,000**	–
As at 30 September 2005/31 March 2005	**11,120,015**	9,150,000

Notes:

(a) On 10 January 2005, the Company announced that it had entered into a Placing and Subscription Agreement dated 7 January 2005 (the "Agreement") with the joint placing agents and the ultimate holding company, Climax Park Limited ("Climax Park"). Pursuant to the Agreement, Climax Park agreed to place through the joint placing agents, an aggregate of 115,000,000 ordinary shares of HK$0.01 each (the "Placing Shares") to independent third parties at a price of HK$0.4 per share. Pursuant to the Agreement, Climax Park conditionally agreed to subscribe for an aggregate of 115,000,000 shares at a price of HK$0.4 per share. The Placing Shares were issued under the general mandate granted to the directors of the Company by resolution of the Company's shareholders passed at the extraordinary general meeting of the Company held on 21 February 2005.

(b) 14,000,000 ordinary shares of HK$0.01 were issued pursuant to the exercise of share options during the period by individuals according to terms of the share option scheme allocated to employees and consultants. An amount of HK$15.00 was received from option holders for the right to subscribe for these options.

(c) The amount represents the gross proceeds from the warrant placing of 183,000,000 warrants at HK$0.01 per warrant pursuant to a Warrant Placing Agreement entered on 27 July 2005 between an independent individual, Mr. Kan Che Kin, Billy Albert and the Company.

Each warrant carries the right to subscribe for one new share of the Company at an initial exercise price of HK$0.19 per new share for a period of three years commencing from 19 August 2005. Mr. Kan Che Kin, Billy Albert had not exercised any subscription rights attaching to the warrants.

The holder of the warrants will not have any right to attend or vote at any meeting of the Company by virtue of him being the holder of the warrants. The holder of the warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

14. Operating lease commitments

As at 30 September 2005, the Group had future aggregate minimum lease payments under the non-cancellable operating leases in respect of land and buildings as follows:

	As at 30 September 2005 (Unaudited) HK$'000	As at 31 March 2005 (Audited) HK$'000
Within one year	**–**	218
From the second to fifth year inclusive	**–**	40
	–	258

15. Related party transactions

There were no significant related party transactions undertaken by the Group at any time during the six months ended 30 September 2005 and 30 September 2004.

16. Obligation under a hire-purchase contract

As at period ended 30 September 2005 and year ended 31 March 2005, the Group had obligation under a hire-purchase contract repayable as follows:

	As at 30 September 2005 HK'000	As at 31 March 2005 HK'000
Within one year	**137**	226
More than one year but within five years	**801**	828
Total minimum finance lease payable	**938**	1,054
Future finance charges on finance lease	**(162)**	(185)
Total present value of minimum lease payment	**776**	869
Present value of minimum finance lease liabilities		
– Within one year	**113**	186
– More than one year but within five years	**663**	683
	776	869

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.

On 25 April 2005, the Ministry of BAPPENAS (National Development Planning Agency) of Indonesia issued a letter supporting the establishment of SPI for the investment of the bitumen extraction project at Buton Island, Indonesia, subject to compliance with the applicable laws and regulations of Indonesia.

On 25 May 2005, Bupati Buton issued a letter expressing support for the establishment of SPI, the fulfilment of the need of raw materials, and the acceleration of the development of Bitumen extraction project as Buton Island.

On 10 June 2005, the "Foreign Investment Approval" issued by Investment Coordinating Board (BKPM – Badan Koordinasi Penanaman Modal) in Indonesia was obtained for SPI.

On 18 June 2005, Bupati Muna (Muna Government) issued a letter of support to SPI to obtain the "Mining Right Permit of General Surveillance."

On 10 September 2005, SPI was granted the Exploration Right of the Buton Bitumen Mine by the Muna Government for a total area of 24,382 hectares. Upon compliance with the Indonesia laws and regulations, the Joint Venture Company shall have the right to explore and extract bitumen from the Buton Bitumen Mine for 30 years. Such right will be subject to a renewal right for another 10 years upon expiry and another renewal right for a further 10 years upon expiry of the first renewal. The details of the licences by which the Authority granted the Exploration Right to SPI are as follows:

Licence Number		**Area of Mine Applicable to (Hectares)**
NOMBOR 363 TAHUN 2005		4,491
NOMBOR 364 TAHUN 2005		4,993
NOMBOR 365 TAHUN 2005		4,974
NOMBOR 366 TAHUN 2005		4,956
NOMBOR 367 TAHUN 2005		4,968
	Total:	24,382

Further Information of the Bitumen Mine

According to the report issued by Bidang Wilayah Pertambangan Dan Energi, a technical consultants company in Indonesia, in respect of a survey conducted for a total area of 369 hectares out of the above-mentioned area of 24,382 hectares in the Buton Bitumen Mine, it is estimated that the total asbuton reserves in such 369 hectares is around 120,500,000 cubic metres (i.e., about 204,000,000 metric tons). As estimated, the total asbuton reserves in the exploration area of 24,382 hectares is around 8 billion cubic metres (i.e., around 13.6 million metric tons). On the assumption of 10% extraction rate, it is estimated that 1.2 billion metric tons of marine fuel oil and 136,000,000 metric tons of asphalt modifier could be extracted from such 24,382 hectares bitumen mine.

b) Co-operation with China National Machinery & Equipment Import and Export Corporation ("CMEC")

On 17 March 2005, SPRL and CMEC entered into an agreement pursuant to which CMEC will conduct the exploration and mining of the Buton Bitumen Mine. Commissioned by the Buton Bitumen Mine, CMEC will be responsible for engineering, production and management of the mine and will be retained as the engineering procurement construction contractor for the project. CMEC will provide financing arrangements, including seller's credit. CMEC will also assist to procure potential purchasers in the PRC for all the products produced or extracted from the project at a price no higher than that of the international oil market.

On 16 May 2005, SPRL entered into a cooperation agreement with CMEC in respect of the Indonesia Bitumen Extraction Project and the total investment would not exceed US$50,000,000. Pursuant to the cooperation agreement. CMEC agreed to provide financial support of not more than US$45,000,000 (equivalent to approximately HK$350,100,000).

c) Co-operation Agreement with Huayou

SPRL, a wholly owned subsidiary of the Company, and China Huayou Group Corporation ("Huayou"), a wholly owned subsidiary of China National Petroleum Corporation ("CNPC"), entered into a co-operation agreement on 12 September 2005. According to the agreement, Huayou shall distribute the marine fuel oil produced or extracted from the Buton Bitumen Mine for a tenure of 10 years from the date of the co-operation agreement and SPRL shall supply not less than 1,200,000 metric tons of marine fuel oil to Huayou for the first year after commencement of production or extraction of the marine fuel oil from the Buton Bitumen Mine which is estimated to be prior to the year 2007.

Background of Huayou

Hauyou is a wholly-owned subsidiary of CNPC. CNPC is one of the two largest state-owned petroleum corporations in the PRC in 2005. It was rated 46th by the Fortune Global 500 in terms of sales revenue. CNPC currently holds two Hong Kong listed subsidiaries, namely PetroChina Company Limited and CNPC (H.K.) Limited.

The business of Huayou is well diversified which covers the production and marketing of oil and gas products, development and exploration of natural gas, production and distribution of high grade lubricating oils, development of chemical agents used in oil fields and the refining industry, and production of advanced building materials, etc.

OUTLOOK AND NEW DEVELOPMENTS

a) Selective Prospecting of Energy Resources and Investment Opportunities

The Group will continue to take a prudent yet proactive approach to new investment opportunities, including exploration of potential energy projects both in China and overseas to capture the demands generated from China's rapid economic development.

b) Direct Focus on Energy Resources

With the rapid development of China's economy, the demand for energy resources is immense. The establishment of SPI in Indonesia and the co-operation with CMEC are good investment opportunities which allow the Group to enhance its spectrum of products in the area of power generation . They also bring along the opportunity for further expansion in natural energy business in Indonesia.

Forward looking, as there is great demand for marine fuel oil and bitumen derived from power generation in the future, the Group will build on these new energy projects and work closely with our new partners by tapping on their extensive experience in technical support, construction, sub-contracting and solid marketing network both in the PRC and overseas for the bitumen extraction project. The Group expects the bitumen mine to undergo pilot operation by the end of 2006 and operate at the first quarter of 2007. 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. The Group hopes to generate profit from these new investments in the near future.

FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2005, the Group had bank and cash balances of approximately HK$50.1 million (31 March 2005: approximately HK$38.6 million). Its gearing ratio calculated as a ratio of debt to equity was nil (31 March 2005: nil). Net current assets totalled HK$145.3 million (31 March 2005: HK$144.6 million) and the current ratio was maintained at the strong level of approximately 9.67 (31 March 2005: approximately 4.34).

CAPITAL COMMITMENTS

The Group had the following capital commitments as at 30 September 2005 and 31 March 2005

	As at 30 September 2005 HK$'000	As at 31 March 2005 HK$'000
Authorised and contracted for in respect of investment in a joint venture company	**44,811**	44,811

SEASONAL OR CYCLICAL FACTORS

The Group's business operations are not significantly affected by any seasonal or cyclical factors.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Renminbi, United States dollar and Hong Kong dollar. The Group's foreign exchange exposure is therefore minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollar to the United States dollar remains in effect.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2005, the Group employed approximately 13 full time staff in the PRC and Hong Kong. The Group remunerates its employees based on their performance, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2005, the interests and short positions of the directors of the Company and chief executive of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:–

(i) Interest in shares of the Company

	Number of ordinary shares held as corporate interest	**% of total issued shares**
Executive Directors:		
Leung Ngai Man	380,330,000	40.94%

Note: The above shares are held by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man.

(ii) Interests in options to subscribe for shares in the Company outstanding under the share option scheme of the Company adopted on 25 April 2002.

Name	Capacity	Total number of underlying shares	Approximate of shareholding
Leung Ngai Man	Beneficial owner	8,000,000 (*Note 1*)	0.86%
Yeung Kit	Beneficial owner	8,000,000 (*Note 2*)	0.86%
Chan Sing Fai	Beneficial owner	800,000 (*Note 3*)	0.09%
Wong Wa Tak	Interest of a controlled corporation	7,000,000 (*Note 4*)	0.75%

Notes:

1. Share options carrying rights to subscribe for 8,000,000 shares were granted to Leung Ngai Man on 3 January 2005 pursuant to the share option scheme.

2. Share options carrying rights to subscribe for 1,400,000 and 6,600,000 shares were granted to Yeung Kit on 1 November 2004 and 12 January 2005 respectively pursuant to the share option scheme.

3. Share options carrying rights to subscribe for 800,000 shares were granted to Chan Sing Fai on 1 November 2004 pursuant to the share option scheme.

4. Share options carrying rights to subscribe for 7,000,000 shares were granted to Master Hill Development Ltd. on 29 November 2004 pursuant to the share option scheme. 50% of the shareholdings of Master Hill Development Ltd. was held and beneficially owned by Wong Wa Tak.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, as at 30 September 2005, none of the directors or chief executive of the Company had any interest or short position in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' and Chief Executive's interests and short positions in shares" above and "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2005, the Company was not notified by any persons who had an interest of 5% or more in the issued share capital of the Company, which is required to be recorded under section 336 of the Securities and Futures Ordinance.

Name of shareholder	**Number of ordinary shares** (*Note 1*)	**Capacity and nature of interest**	**Approximate percentage of interests**
Climax Park Limited	380,330,000 shares (L) 80,000,000 shares (S)	Beneficial owner (*Note 2*)	40.94%
Leung Ngai Man	380,330,000 shares (L) 80,000,000 shares (S)	Interest of a controlled corporation (*Note 3*)	40.94%
Chance Partner Investments Limited	380,000,000 shares (L)	Person having a security interest in shares	40.90%
CMEC International Trading Import & Export Co., Ltd.	80,000,000 shares	Beneficial owner (*Note 2*)	8.61%
China National Machinery & Equipment Import & Export Corporation	80,000,000 shares	Interest of a controlled corporation (*Note 2*)	8.61%
Kan Che Kin, Billy Albert	183,000,000 shares	Beneficial owner (*Note 4*)	19.70%
Kan Kung Chuen Lai	183,000,000 shares	Interest of spouse (*Note 4*)	19.70%

Notes:

1. The letters "L" and "S" represent the entity's long and short positions in the shares respectively.

2. Climax Park Limited granted a call option to CMEC International Trading Import & Export Co., Ltd. on 19 July 2005, pursuant to which CMEC International Trading Import & Export Co., Ltd. may require Climax Park Limited to sell to it up to 80,000,000 shares. CMEC International Trading Import & Export Co., Ltd. is a company incorporated in the People's Republic of China and wholly owned by China National Machinery & Equipment Import & Export Corporation. Under the SFO, CMEC International Trading Import & Export Co., Ltd. and China National Machinery & Equipment Import & Export Corporation are deemed to be interested in the underlying shares of the Company under the call option.

3. These 380,330,000 shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man. Under the SFO, Leung Ngai Man is deemed to be interested in these 380,330,000 shares.

4. By the warrant placing agreement between the Company and Kan Che Kin, Billy Albert dated 27 July 2005, Kan Che Kin, Billy Albert was placed with 183,000,000 warrants with each warrant carries the right to subscribe for one new share. Under the SFO, Kan Che Kin, Billy Albert and his wife Kan Kung Chuen Lai are deemed to be interested in these 183,000,000 shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by its Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the accounting period covered by this report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has initiated and continues to ensure steps taken to enhance corporate governance practices set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules) (the "C.G. Code"). In the opinion of the directors, the Company complied with the C.G. Code throughout the accounting period covered by the report, except that the independent non-executive directors are not appointed for specific terms as required by A.4.1 of the C.G. Code, but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of the Company.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls and comprises the three independent non-executive directors. The financial statements of the Company for the period ended 30 September 2005 have been reviewed by the Committee before they were tabled for the Board's review and approval.

By Order of the Board
Tang Yan Tian
Chief Executive Officer

Hong Kong, 17 November 2005

As at the date of this report, the Board comprises Mr. Leung Ngai Man, Mr. Yeung Kit, Mr. Wong Wa Tak and Mr. Tang Yan Tian as executive directors and Mr. Chan Sing Fai, Mr. Cai Wei Lun and Mr. Leung Wai Cheung as independent non-executive directors.