

## INTERIM RESULTS

The Board of Directors (the "Board") of Sino Prosper Holdings Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th September 2002 together with the comparative figures. A summary extract of this interim financial report is published in a press announcement on 31st December, 2002.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th September	
		2002 <b>(Unaudited)</b> HK\$'000	2001 Proforma (Unaudited) HK\$'000
Turnover	3	<b>12,641</b>	28,711
Cost of sales		<b>(5,619)</b>	(13,593)
Gross profit		<b>7,022</b>	15,118
Other operating income		<b>14</b>	148
Selling expenses		<b>(239)</b>	(121)
Administrative expenses		<b>(2,519)</b>	(2,028)
Profit from operations	5	<b>4,278</b>	13,117
Finance costs	6	<b>(1,357)</b>	–
Profit before taxation		<b>2,921</b>	13,117
Taxation	7	<b>(1,038)</b>	(2,914)
Profit before minority interests		<b>1,883</b>	10,203
Minority interests		<b>(170)</b>	(250)
Net profit attributable to shareholders for the period		<b><u>1,713</u></b>	<u>9,953</u>
Earnings per share	8		
– basic		<b><u>0.22 cents</u></b>	<u>1.49 cents</u>
– diluted		<b><u>N/A</u></b>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	30th September 2002 (Unaudited) Notes	31st March 2002 (Audited)
	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Plant and equipment	101	158
Investment properties	<b>95,800</b>	95,800
	<b>95,901</b>	95,958
CURRENT ASSETS		
Completed properties held for sales	<b>73,611</b>	79,230
Deposit paid	<b>29,974</b>	29,974
Properties under development	<b>92,284</b>	92,284
Trade receivables	10 <b>11,373</b>	35,457
Other receivables and prepayments	<b>6,507</b>	4,619
Amount due from a minority shareholder	<b>1,159</b>	1,159
Bank balances and cash	<b>1,452</b>	3,167
	<b>216,360</b>	245,890
CURRENT LIABILITIES		
Trade payables	11 <b>47,716</b>	89,832
Other payables and accruals	<b>7,108</b>	23,640
Amount due to a director	-	2,136
Amount due to a related company	-	114
Tax payable	<b>39,689</b>	41,048
Secured bank borrowings	<b>67,854</b>	67,854
	<b>162,367</b>	224,624
NET CURRENT ASSETS	<b>53,993</b>	21,266
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>149,894</b>	117,224
MINORITY INTERESTS	<b>6,331</b>	6,161
	<b>143,563</b>	111,063
CAPITAL AND RESERVES		
Share capital	12 <b>8,000</b>	78
Reserves	<b>135,563</b>	110,985
	<b>143,563</b>	111,063

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>(Unaudited) HK\$'000</b>	Proforma (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(30,359)</b>	(28,857)
Net cash outflow from investing activities	<b>(7)</b>	(3,589)
Net cash inflow from financing activities	<b>28,651</b>	25,554
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(1,715)</b>	(6,892)
Cash and cash equivalents at the beginning of the period	<b>3,167</b>	10,269
Effect of foreign exchange rates changes	<b>-</b>	3
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b><u>1,452</u></b>	<u>3,380</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<b><u>1,452</u></b>	<u>3,380</u>

## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Translation Reserve	Properties Revaluation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001 (Audited)	–	–	(13,443)	–	52,285	38,842
Translation difference (Unaudited)	–	–	21	–	–	21
Profit for the period (Unaudited)	–	–	–	–	9,953	9,953
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,953</u>	<u>9,953</u>
At 30th September 2001 (Unaudited)	<u>–</u>	<u>–</u>	<u>(13,422)</u>	<u>–</u>	<u>62,238</u>	<u>48,816</u>
At 1st April 2002 (Audited)	78	–	(13,421)	44,355	80,051	111,063
Issue of new shares (Unaudited)	1,300	31,200	–	–	–	32,500
Share issue expenses (Unaudited)	–	(8,335)	–	–	–	(8,335)
Capitalization issue (Unaudited)	6,622	–	–	–	–	6,622
Profit for the period (Unaudited)	–	–	–	–	1,713	1,713
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,713</u>	<u>1,713</u>
<b>At 30th September 2002 (Unaudited)</b>	<b><u>8,000</u></b>	<b><u>22,865</u></b>	<b><u>(13,421)</u></b>	<b><u>44,355</u></b>	<b><u>81,764</u></b>	<b><u>143,563</u></b>

Notes:

## 1. Group reorganisation and basis of preparation of interim financial statements

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 26th October, 2001. Its ultimate holding company is Climax Park Limited ("Climax"), a company which is incorporated in the British Virgin Islands (the "BVI").

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the group (the "Group") formed after the completion of the Group Reorganisation on 25th April, 2002.

The Group Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of Sino Prosper Group Limited.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, these interim financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies now comprising the Group.

Details of the Group Reorganisation are set out in the prospectus (the "Prospectus") issued by the Company dated 30th April, 2002.

The shares of the Company were listed on the Stock Exchange on 15th May, 2002.

## 2. Significant accounting policies

The interim financial statements are unaudited by the Company's auditors, condensed and have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 (revised) "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and have been reviewed by the Company's Audit Committee.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual proforma financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translations
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement but has no significant effect on the results for the current or prior accounting periods.

### 3. Turnover

Turnover represents proceeds received and receivable from the sales of properties in the PRC to outside customers less business tax and discounts, if any, during the period, and is analysed as follows:

	<b>Six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Proceeds from sales of properties	<b>12,466</b>	30,222
Rental income	<b>720</b>	–
Management fee income	<b>86</b>	–
Less: business tax	<b>(631)</b>	(1,511)
	<b><u>12,641</u></b>	<u>28,711</u>

Business tax is calculated at 5% on the proceeds received and receivable from the sales of properties during the period.

### 4. Segmental information

The Group is engaged only in the provision of property development and its operations are all located in the PRC.

### 5. Profit from operations

	<b>Six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit from operations has been arrived at after charging:		
Costs of properties held for sales sold	<b>5,619</b>	13,593
Directors' remuneration	<b>300</b>	250
Other staff costs	<b>339</b>	166
Retirement benefit scheme contributions (excluding directors)	<b>15</b>	7
	<b><u>654</u></b>	<u>423</u>
Less: Amounts capitalised in properties under development	<b>–</b>	–
Total staff costs	<b><u>654</u></b>	<u>423</u>
Auditors' remuneration	<b>150</b>	2
Depreciation	<b>64</b>	34
Rental expenses	<b>211</b>	120
Bank charges	<b>12</b>	–
Net exchange losses	<b>–</b>	4
and after crediting:		
Interest income	<b><u>–</u></b>	<u>18</u>

## 6. Finance costs

	<b>Six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings wholly repayable within five years	<b>1,357</b>	2,372
Less: Amounts capitalised in properties under development	<u>—</u>	<u>(2,372)</u>
	<b><u>1,357</u></b>	<b><u>—</u></b>

## 7. Taxation

	<b>Six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
The PRC income tax	<b>437</b>	2,914
Land Appreciation Tax ("LAT")	<b>601</b>	—
	<b><u>1,038</u></b>	<b><u>2,914</u></b>

The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC for both periods.

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

Under the Implementation Regulations on the Provisional Regulations of the PRC on LAT issued on 27th January, 1995, all added value from transfer of real estate in the PRC from 1st January, 1994 is subject to LAT at progressive rates up to 60 per cent. An exemption to LAT is applicable to first hand sales contracts entered into on or before 31st December, 2000 in respect of those property development contracts signed before 1st January, 1994, or those related project proposals approved before 1st January, 1994 and whose capital for the development has been injected according to the contract. The properties under development was approved in 1993, accordingly, there was no LAT exposure to the Group for the period from 1st April, 1998 to 31st December, 2000.

All added value arising from sales agreements of the properties under development entered into subsequent to 31st December, 2000 is subject to LAT at progressive rates up to 60 per cent.

Deferred taxation has not been provided for as the amounts involved are not significant.

## 8. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period of approximately HK\$1,713,000 (2001: HK\$9,953,000) and the weighted average number of ordinary shares of 792,352,941 of the Company in issue during the period (2001: 670,000,000 in issue and issuable as are fully explained in Appendix V to the Prospectus).

Diluted earnings per share for the six months ended 30th September 2002 and 2001 have not been disclosed as there were no potential ordinary shares outstanding during the periods.

## 9. Interim dividend

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2002 (2001: Nil).

## 10. Trade receivables

The Group grants credit terms to purchasers of properties on merit of individual purchaser's credit. The aging analysis of trade receivables at 30th September 2002 is as follows:

	<b>30th September 2002 (Unaudited) HK\$'000</b>	31st March 2002 (Audited) HK\$'000
0 – 90 days	<b>6,126</b>	35,434
1 – 2 years	<b>5,247</b>	23
	<b><u>11,373</u></b>	<u>35,457</u>

## 11. Trade payables

The aging analysis of trade payables at 30th September 2002 is as follows:

	<b>30th September 2002 (Unaudited) HK\$'000</b>	31st March 2002 (Audited) HK\$'000
0 – 90 days	–	31
91 – 180 days	–	954
181 – 365 days	<b>26,035</b>	41,538
1-2 years	<b>4,707</b>	27,740
Over 2 years	<b>16,974</b>	19,569
	<b><u>47,716</u></b>	<u>89,832</u>

## 12. Share capital

For the purpose of the preparation of these interim financial statements, the balance of the share capital shown in the condensed consolidated balance sheet at 30th September, 2002 and 31st March, 2002, represents the issued capital of the Company and Sino Prosper Group Limited (“Sino Prosper”), respectively which was acquired by the Company pursuant to the Group Reorganisation.

	<b>30th September 2002 (Unaudited)</b>	31st March 2002 (Audited)
Issued and fully paid	<b><u>HK\$8,000,000</u></b>	<u>US\$10,000</u>
Shown in the financial statements as	<b><u>HK\$8,000,000</u></b>	<u>HK\$78,000</u>



The Company was incorporated on 26th October, 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each.

On 8th November, 2001, 1,000,000 shares of HK\$0.10 each were allotted and issued nil paid.

On 24th April, 2002, a written resolution was passed by the then sole shareholder of the Company to sub-divide each share having a par value of HK\$0.10 each in the share capital of the Company into ten shares.

On 25th April, 2002, the following written resolutions were passed by the then sole shareholder of the Company:

- (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of additional 10,000,000 shares with a nominal value of HK\$0.01 each;
- (ii) the authorised share capital of the Company was then increased from HK\$200,000 to HK\$200,000,000 by the creation of a further addition of 19,980,000,000 shares with a nominal value of HK\$0.01 each;
- (iii) the issue of 650,000,000 shares with a nominal value of HK\$0.01 each upon the capitalisation of certain sums standing to the credit of the share premium account of the Company; and
- (iv) adoption of a share option scheme for the employees of the Company and its subsidiaries.

The companies comprising the Group underwent a reorganisation prior to and in preparation for the listing of the shares on the Stock Exchange. Pursuant to the agreement on 25th April, 2002, the Company acquired the entire issued share capital of Sino Prosper from Climax in consideration of (i) allotting and issuing 10,000,000 shares to Climax credited as fully paid at par; and (ii) crediting as fully paid at par the 10,000,000 nil paid shares then held by Climax.

On 10th May, 2002, 130,000,000 shares with a nominal value of HK\$0.01 each were issued pursuant to the share offer scheme for the listing of the shares on the Stock Exchange.

As at 30th September 2002, the authorised share capital of the Company is HK\$200,000,000 comprising of 20,000,000,000 shares of HK\$0.01 each.

As at 30th September, 2001, the authorised share capital of Sino Prosper is US\$50,000 comprising of 50,000 shares of US\$1 each.

Sino Prosper was incorporated on 17th October, 2000 with an authorised share capital of US\$50,000. At the time of incorporation, 1 share of US\$1 was issued at par to the subscriber to provide the initial capital of Sino Prosper. On 31st July, 2001, 9,999 shares of US\$1 each were issued at par to Sino Prosper's shareholder and these shares rank pari passu with the then existing share.

### 13. Operating lease commitments

Minimum lease payments paid under operating leases for rented premises during the period amounting to approximately HK\$– (six months ended 30th September 2001: HK\$37,000).

At 30th September, 2002, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to approximately HK\$– (31st March 2002: HK\$88,000).

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average term of half year:

#### 14. Management fee commitments

At 30th September, 2002, the Group had outstanding commitments under non-cancellable management fee agreements which fall due as follows:

	30th September 2002 (Unaudited) HK\$'000	31st March 2002 (Audited) HK\$'000
Within one year	-	1,246
In the second to fifth year inclusive	-	-
	<u>-</u>	<u>1,246</u>

#### 15. Capital commitments

Capital expenditure contracted for but not provided in the financial statements in respect of capital contribution in Dalian Asia Pacific Finance Centre

	30th September 2002 (Unaudited) HK\$'000	31st March 2002 (Audited) HK\$'000
	<u>-</u>	<u>-</u>

#### 16. Other commitments

Expenditure contracted for but not provided in the financial statements in respect of construction of the properties under development

	30th September 2002 (Unaudited) HK\$'000	31st March 2002 (Audited) HK\$'000
	<u>3,223</u>	<u>3,223</u>

#### 17. Contingent liabilities

Penalties for late completion of properties (Note 1)  
Guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties (Note 2)

	30th September 2002 (Unaudited) HK\$'000	31st March 2002 (Audited) HK\$'000
	8,469	8,469
	<u>94,867</u>	<u>94,867</u>
Total contingent liabilities	<u>103,336</u>	<u>103,336</u>

Notes:

- The relevant parties have not claimed for late completion up to now, in the opinion of the directors, it is unlikely for these parties to make the claims and accordingly, no provision has been made.
- The guarantees given will be released upon the earliest of: (i) registration of mortgage by the purchaser-mortgagors holding the relevant housing ownership certificate; (ii) repayment of loan by the purchaser-mortgagors; and (iii) two years from the date of any breach of obligations by the purchaser-mortgagors.

## 18. Pledge of assets

At 30th September, 2002, the Group pledged its assets in respect of banking facilities granted to the Group as follows:

	<b>30th September 2002</b>	31st March 2002
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Investment properties	<b>95,800</b>	95,800
Completed properties held for sales	<b>36,259</b>	36,259
Properties under development	-	-
	<b><u>132,059</u></b>	<u>132,059</u>

## 19. Retirement benefit scheme

During the period, the Group contributed to a local Municipal Government retirement scheme to all qualified employees in the PRC.

The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to the condensed consolidated income statement represent contributions paid or payable by the Group at rates specified in the rules of the schemes.

## 20. Related party transaction

The Group entered into the following related party transaction during the period:

Name of related party	Nature of transaction	<b>Six months ended</b>	
		<b>30th September 2002</b>	30th September 2001
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Pacific Glory Group Holding Limited ("Pacific Glory")	Rental expenses paid	-	12
		<b><u>-</u></b>	<u>12</u>

Mr. Leung Ngai Man, a director of the Company, has a beneficial interest in the above company.

In the opinion of the directors, the above transaction is based on terms agreed by both parties and in the ordinary course of business. The Group has discontinued the rental transactions with Pacific Glory subsequent to 31st March, 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Successful Listing

The successful listing of the Company on 15th May, 2002 on the Main Board of the Stock Exchange was a major milestone for the Group. With the issue of 130,000,000 shares, raising about HK\$24.2 million (after deducting related expenses), the Board is very pleased with the overwhelming support received from shareholders. The Group is confident that its listing status will form a strong growth impetus to accelerate its business development.

### FINANCIAL REVIEW

For the six months ended 30th September, 2002, the Group's turnover reached HK\$12.6 million, representing a decrease of approximately 56% as compared to the same period last year consequently, profit attributable to shareholders decrease by approximately 83% to HK\$1,713,000. The decrease in turnover was mainly attributable to the Group's strategy of concentrating on leasing rather than sales of properties in the current period under the prevailing market sentiment.

Gross margin has improved slightly due to the increase in rental and management fee income. Gross margin for sales of properties are consistent with last interim period. Profit before taxation and net profit has been dropped by 78% and 83% respectively as compared to last interim period mainly due to decrease in turnover. The increase in rental and management fee income has felt short of expectation during the interim period as most of the tenants have just move in and enjoying their rent-free period while the Group has take an proactive step to waive management fee for certain tenants and property owners to encourage the speedy occupation and smooth running of building facilities of Dalian Asia Finance Centre.

### BUSINESS REVIEW

#### Major Projects Of The Group

##### *Dalian Asia Pacific Finance Centre*

The leading development project of the Group – Dalian Asia Pacific Finance Centre (大連亞太國際金融中心), is a 28-storey commercial and residential building located at no. 55 Renmin Road, Zhongshan District Dalian, a prominent landmark within Dalian's central business district. Located in the immediate vicinity of Dalian Asia Pacific Finance Centre are financial institutions and 5-star hotels, making it a prestigious business and residential property. Dalian Asia Pacific Finance Centre is fully equipped with all necessary amenities and utilities, including clubhouse, business center, conference room and parking area so as to cater for residential and commercial needs. With a view to improve results, the Group will amend the strategy in respect of lease and sales by reference to market changes.

### *Gao Er Ji Road Project*

In addition to Dalian Asia Pacific Finance Centre, another development of the Group is Gao Er Ji Road project (高爾基路項目) located in Dalian, Gao Er Ji Road occupies a site area of approximately 3,855 sq.m. with an aggregate GFA of approximately 15,912 sq.m. and is in the vicinity of the town center. Amendment in the plan of the interior design of the above project is underway in response to market demands. The development of the project is expected to be completed by the end of the year 2003.

### *Golden Pebble Beach Project*

Another development which is at the planning stage is a coastal site at Golden Pebble Beach (金石灘項目) adjacent to Dalian Golden Beach Golf Club. It concerns approximately 36,002 sq.m. of sea-front land within the Jinshitan National Tourist Zone. The Directors intend to develop the project site into around 31 villas with a GFA of approximately 18,001 sq.m.. The development of the Golden Pebble Beach project is expected to be completed in 2005. On 26th June 2002, the Group re-executed a supplementary agreement in respect of the land concerned with the transferor pursuant to which, the transferor shall transfer to the Group the right of use of the land mentioned above by 30th April 2003. The Directors believed that such agreement will not affect the scheduled time for completion of the project.

## **PROSPECTS**

Looking to the future, the entry of the PRC into the WTO leads to a vigorous economic environment throughout the territory. Major cities like Dalian, which is one of the most important economic and trading city in the northeastern coastal region of the PRC, see even busier trade activities and a more systematically developed and market-oriented property market. With the full support from the PRC government towards business activities in China and people's growing demand to seek for higher living standard, the PRC property market has become more active. Demands for high-quality, high class and first-rate properties are even increasing. These factors are favorable for the Group's strategy of developing premier properties in Dalian. The Group will continue to capture other opportunities of developing quality properties in Dalian.

Apart from its property development business, the Group is also actively exploring new opportunities to further diversify its business in the PRC. In line with the Group's strategy, the Group has entered into a memorandum of understanding on 15th November, 2002 to acquire the entire business, assets and liabilities of Beijing Bluesky Technology Co., Ltd. ("Beijing Bluesky") at a consideration of RMB8,000,000 in the PRC. Established in 1998, Beijing Bluesky holds a number of PRC registered patents in relation to the technology for coal gas production and power generation by utilizing coal. Through making use of coal with low energy contents to yield both power and coal gas as well as reducing pollution originally resulted from the disposal of coal scraps, this new environmental friendly and energy saving technology was greatly encouraged by the PRC government. The Eighth People's Congress Committee Meeting even dedicated to state the use of the technology in the country's energy conservation regulations.

The market of coal gas production and power generation in the northern PRC is extremely board with huge potential and is bound to provide vast room for development opportunities for the Group. The Group will hold 29% of the interests and the acquisition facilitates the Group to enter into a lucrative market in the northern region of the PRC. The Directors firmly believes the acquisition is an invaluable opportunity for Group to expand its scope of business and broaden the income stream.

Through the relentless pursuit of excellence and continuous dedication of its staff as well as great support from the invaluable business partners, the Group has full confidence to reach new highs in the future, bringing positive returns to shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flows. As at 30th September, 2002, the Group had bank and cash balances of approximately HK\$1.5 million. Its gearing ratio calculated as a ratio of net debt to equity was approximately 46.3%. Net current assets totaled approximately HK\$54.0 million and the current ratio was maintained at the healthy level of approximately 133.3%.

## **SEASONAL OR CYCLICAL FACTORS**

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

## **BANK BORROWINGS**

As at 30 September 2002, the Group had outstanding bank loans of approximately HK\$67,854,000 (31 March 2002: approximately HK\$67,854,000) all of which are short term bank loans from PRC banks with maturity within one year. The Group generally raises and repays its bank loans according to the development requirements of specific property development projects. The borrowing facilities are fully utilized as at 30 September 2002.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **TREASURY POLICIES**

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in the PRC. The interest rates of most of these are charged by reference to the PRC bank rates. Both bank deposits and borrowings are mainly in Renminbi.

## STAFF

As at 30th September 2002, the Group had a total of 54 employees, of whom 49 were based in the PRC, with the rest working in Hong Kong. Employee remuneration is based on working performance, experience and the prevailing industry practices. The Group also participates in retirement benefit schemes for staff in Hong Kong and the PRC.

## DIRECTORS' INTERESTS IN SHARES

The interests of the directors in the share capital of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance) at 30th September, 2002 were as follows:

<b>Name of director</b>	<b>Type of interest</b>	<b>Number of shares held</b>
Mr. Leung Ngai Man ("Mr. Leung")	Corporate	600,000,000

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

Other than as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors of the chief executives, nor their associates, had an interest in any securities of the Company or any of its associated corporations.

## ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

At no time during the period was the Company, its holding company or any of the its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed as of 30th September, 2002 that, other than the interests disclosed under the heading "Directors' interests in shares", the Company had not been notified of any interests representing 10% or more in the share capital of the Company.

## SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25th April, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14th May, 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options have been granted since the adoption of the Scheme.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **CORPORATE GOVERNANCE**

The Company has complied in the period between the listing date and the date of this report, with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company's audit committee was formed on 25th April, 2002, comprising the independent non-executive directors Mr. Chan Sing Fai and Mr. Lau Kam Wah, Andrew.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results.

By order of the Board

**Yeung Kit**

*Director*

Hong Kong, 30th December, 2002