



SINO PROSPER
Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2003



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 (collectively the “Group”) for the six months ended 30 September 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		30 September	
		2003	2002
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	3	30,872	12,641
Cost of sales		(16,093)	(5,619)
Gross profit		14,779	7,022
Other operating income		11	14
Selling expenses		(570)	(239)
Administrative expenses		(5,332)	(2,519)
Profit from operations	4	8,888	4,278
Finance costs	5	(166)	(1,357)
Profit before taxation		8,722	2,921
Taxation	6	(3,750)	(1,038)
Profit before minority interests		4,972	1,883
Minority interests		(380)	(170)
Net profit attributable to shareholders for the period		<u>4,592</u>	<u>1,713</u>
Earnings per share	7		
– basic		<u>0.57 cents</u>	<u>0.22 cents</u>
– diluted		<u>N/A</u>	<u>N/A</u>



CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Investment properties		76,558	76,500
Plant and equipment		380	165
Investment in an associate		320	50
		<u>77,258</u>	<u>76,715</u>
CURRENT ASSETS			
Completed properties held for sale		60,456	76,492
Deposit paid		29,983	29,983
Properties under development		105,871	92,310
Trade receivables	9	6,148	6,144
Other receivables and prepayments		1,460	33
Amount due from ultimate holding company		17	13
Cash and cash equivalents		19,975	10,645
		<u>223,910</u>	<u>215,620</u>
CURRENT LIABILITIES			
Trade payables	10	30,094	30,072
Other payables and accruals		26,935	29,485
Amount due to a related company		93	97
Amount due to a director		3,814	—
Tax payable		45,983	41,059
Secured bank borrowings		67,811	70,874
		<u>174,730</u>	<u>171,587</u>
NET CURRENT ASSETS		49,180	44,033
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>126,438</u>	<u>120,748</u>
MINORITY INTERESTS		<u>5,383</u>	<u>4,285</u>
		<u>121,055</u>	<u>116,463</u>
CAPITAL AND RESERVES			
Share capital	11	8,000	8,000
Reserves		113,055	108,463
		<u>121,055</u>	<u>116,463</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	12,417	(30,359)
Net cash used in investing activities	(575)	(7)
Net cash from/(used in) financing activities	(2,512)	28,651
	<u>9,330</u>	<u>(1,715)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	10,645	3,167
	<u>19,975</u>	<u>1,452</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
	<u>19,975</u>	<u>1,452</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>19,975</u>	<u>1,452</u>

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
At 1 April 2002 (Audited)	78	-	(13,421)	44,355	80,051	111,063
Issue of shares (Unaudited)	1,300	31,200	-	-	-	32,500
Share issue expenses (Unaudited)	-	(8,335)	-	-	-	(8,335)
Capitalisation issue (Unaudited)	6,622	-	-	-	-	6,622
Net profit for the period (Unaudited)	-	-	-	-	1,713	1,713
	<u>8,000</u>	<u>22,865</u>	<u>(13,421)</u>	<u>44,355</u>	<u>81,764</u>	<u>143,563</u>
At 30 September 2002 (Unaudited)						
At 1 April 2003 (Audited)	8,000	16,365	(13,405)	35,117	70,386	116,463
Net profit for the period (Unaudited)	-	-	-	-	4,592	4,592
	<u>8,000</u>	<u>16,365</u>	<u>(13,405)</u>	<u>35,117</u>	<u>74,978</u>	<u>121,055</u>
At 30 September 2003 (Unaudited)						



Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim accounts (the "Interim Accounts") have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (the "SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and have been reviewed by the Company's Audit Committee.

These Interim Accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2003.

The accounting policies adopted in the preparation of these Interim Accounts are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2003, except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing after 1 January 2003.

The adoption of the SSAP 12 (Revised) had no material impact on the Group's results.

2. Segmental information

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

3. Turnover

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

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proceeds from sales of properties	32,187	12,466
Rental income	257	720
Management fee income	61	86
Less: business tax	(1,633)	(631)
	<u>30,872</u>	<u>12,641</u>

Business tax is calculated at 5% on the proceeds received and receivable from the sales of properties and on the rental and building management fee income received and receivable from leasing of investment properties during the period.



4. Profit from operations

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration	242	300
Other staff costs (excluding directors):		
Salaries and allowances	860	339
Retirement benefit scheme contributions	8	15
Total staff costs	<u>1,110</u>	<u>654</u>
Auditors' remuneration	–	150
Depreciation	32	64
Operating lease payments in respect of land and building	<u>512</u>	<u>211</u>
and after crediting:		
Interest income	<u>4</u>	<u>–</u>

5. Finance costs

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	4,184	1,357
Less: Amounts capitalised in properties under development	<u>(4,018)</u>	<u>–</u>
	<u>166</u>	<u>1,357</u>

6. Taxation

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
The PRC income tax	3,750	437
Land Appreciation Tax ("LAT")	–	601
	<u>3,750</u>	<u>1,038</u>

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

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



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

All added value arising from sales contracts of the properties under development entered into subsequent to 31 December 2000 is subject to LAT at progressive rates up to 60% of the amount of property value appreciation after deduction of certain costs and expenses.

Deferred taxation has not been provided for as there were no significant temporary differences giving rise to deferred tax liabilities as at 30 September 2003 (2002: Nil).

7. Earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders for the six months ended 30 September 2003 of approximately HK\$4,592,000 (2002: HK\$1,713,000) and the weighted average number of 800,000,000 (2002: 792,352,941) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2003 and 2002 have not been disclosed as there were no potential ordinary shares outstanding during the periods.

8. Interim dividend

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2003 (2002: Nil).

9. Trade receivables

The Group grants credit terms to purchasers of properties on merit of individual purchaser's credit. The ageing analysis of trade receivables at 30 September 2003 is as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
0 – 90 days	4	6,144
180 – 270 days	6,144	–
	<u>6,148</u>	<u>6,144</u>

10. Trade payables

The ageing analysis of trade payables at 30 September 2003 is as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
1-2 years	<u>30,094</u>	<u>30,072</u>



11. Share capital

	Number of shares	Issued and fully paid share capital HK\$'000
Balance at 1 April 2003 and 30 September 2003	<u>800,000,000</u>	<u>8,000</u>

12. Operating lease commitments

As at 30 September 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK'000
Within one year	1,023	1,023
In the second to fifth years, inclusive	<u>1,650</u>	<u>2,162</u>
	<u><u>2,673</u></u>	<u><u>3,185</u></u>

13. Other commitments

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Expenditure contracted for but not provided in the financial statements in respect of acquisition of land in the PRC	<u>3,224</u>	<u>3,224</u>

14. Contingent liabilities

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Penalties for late completion of properties (Note 1)	8,471	8,471
Guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties (Note 2)	<u>77,010</u>	<u>80,175</u>
Total contingent liabilities	<u><u>85,481</u></u>	<u><u>88,646</u></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.



2. 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.

15. Pledge of assets

As at 30 September 2003, the Group's banking facilities were secured by the following:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Investment properties	76,500	76,500
Completed properties held for sales	27,968	27,968
	<u>104,468</u>	<u>104,468</u>

16. Related party transactions

There was no significant related party transactions undertaken by the Group at any time during the six months ended 30 September 2003 and 30 September 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2003, the Group recorded a turnover of approximately HK\$30,872,000, representing an increase of approximately 144% as compared to the same period last year. The Group's net profit attributable to shareholders were approximately HK\$4,592,000 (six months ended 30 September 2002: approximately HK\$1,713,000).

MAJOR PROJECTS AND PROSPECTS OF THE GROUP

Dalian Properties Development Projects

During the period under review, the Group has amended its sales strategies while the property sales market was dragged by the threat of SARS, thus turnover increased but gross profit margin fell as compared to the same period last year. The Group will amend its lease and sales strategy in response to market changes. Gao Er Ji Road project and Golden Pebble Beach project will be completed within the anticipated period and will make contribution to the Group.

Energy Development Project

On 15 November 2002, the Group's associate, Bekwin International Ltd, entered into a memorandum of understanding to form a joint venture to acquire the entire business, assets and liabilities of Beijing Bluesky Technology Co., Ltd. ("Beijing Bluesky") at a total consideration of RMB8,000,000, which will be financed by internally generated resources. Upon completion, the Group will hold 29% of Beijing Bluesky.

Established in 1998, Beijing Bluesky successfully holds a number of PRC registered patents in relation to coal gas production technology and power generation using coal within a few years. This acquisition is not only in line with the Group's strategies for future development, it also facilitates the Group's expansion into the lucrative market in northern PRC.



PROSPECTS

Apart from its existing property development business, the Group captures every golden opportunity to develop other quality projects in order to further diversify its business in different major cities of the PRC.

On 8 October 2003, the Group entered into the joint venture contract (“JV Contract”) and the articles of association for the establishment of 南京太平南路商業街開發有限公司 (Nanjing Taipingnanlu Commercial Street Development Co., Ltd.*) (“Joint Venture”) in Nanjing, the PRC with 北京經易智業投資有限公司 (Beijing Jingyi Zhiye Investments Co., Ltd.) (“Beijing Trading”). On 4 November 2003, the relevant approval has been granted and funds have been injected into the Joint Venture on 19 December 2003 according to the JV Contract.

Simultaneously, the Group also actively looked for new drivers for future growth. As there is huge market potential in natural gas and power generation in cities of the PRC, the management sees new opportunities to expand the Group’s scope of business and broaden its income streams. Therefore, on 23 December 2003, Sino Prosper Gas Limited, a newly established wholly-owned subsidiary of the Company, signed a letter of intent with China Everbright Petroleum Exploitation and Investment Co., Ltd. regarding a Sino-Hong Kong co-operative project on development of city gas pipeline and supply and sales of natural gas operation in China (the “Natural Gas Project”). The Natural Gas Project will involve significant investment and the Group intends to invest substantially in development of city gas pipeline and supply and sales of natural gas business in China in the coming few years.

FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2003, the Group had bank and cash balances of approximately HK\$20 million (31 March 2003: approximately HK\$11 million). Its gearing ratio calculated as a ratio of debt to equity was approximately 0.56 (31 March 2003: approximately 0.61). Net current assets totalled approximately HK\$49 million (31 March 2003: approximately HK\$44 million) and the current ratio was maintained at the healthy level of approximately 1.28 (31 March 2003: approximately 1.26).

CAPITAL STRUCTURE

There was no change to the Group’s capital structure for the six months ended 30 September 2003.

TREASURY POLICIES

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in the PRC. The Group’s subsidiaries in the PRC are financed by their short-term loans as working capital. Both bank deposits and borrowings are mainly in Renminbi.

SEASONAL OR CYCLICAL FACTORS

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

* For identification purpose only



FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Renminbi, United States dollars and Hong Kong dollars. 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 dollars to the United States dollars remains in effect.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2003, the Group employed approximately 54 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' INTEREST IN SHARES

As at 30 September 2003, the interests and short positions of the directors of the Company ("Directors") and chief executives of the Company in the shares of the Company and 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 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 (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follow:—

	Number of ordinary shares held as corporate interest	% of total issued shares
<i>Executive directors:</i>		
Mr. Leung Ngai Man (Mr. Leung)	600,000,000	75%

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

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 2003, none of the Director 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 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' interests 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 children under 18 years of age, 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.



SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 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 has been granted and/or exercised since the adoption of the Scheme.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2003, 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 shares (Note 1)	Nature of interest	Approximate percentage of interests
Climax Park Limited	600,000,000 ordinary shares of HK\$0.01 each of the Company (L)	Beneficial owner	75%
Leung Ngai Man	600,000,000 ordinary shares of HK\$0.01 each of the Company (L)	Interest of a controlled corporation (Note 2)	75%
Yu Yan	57,530,000 ordinary shares of HK\$0.01 each of the Company (L)	Beneficial owner	7.19%



Notes:

1. The letter "L" represents the entity's interests in the shares.
2. These 600,000,000 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 Securities and Futures Ordinance, Leung Ngai Man is deemed to be interested in these 600,000,000 shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the six months accounting period ended 30 September 2003, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code and comprises the two independent non-executive directors of the Company. The interim report for the six months ended 30 September 2003 has been reviewed by the committee which has been established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

By order of the Board

Yeung Kit

Director

Hong Kong, 29 December 2003

