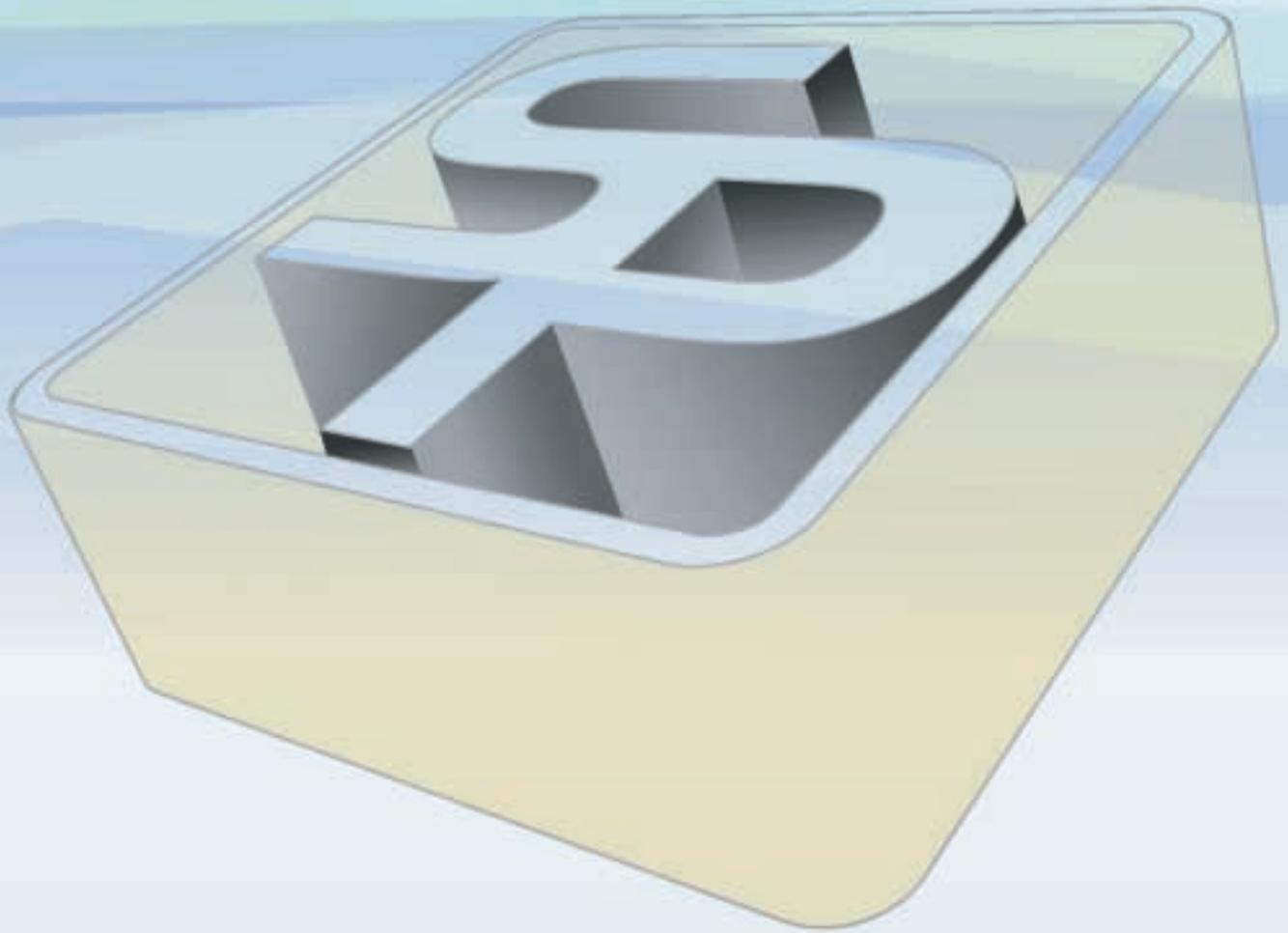




SINO PROSPER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



2004
Interim Report

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 2004. These unaudited interim results have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		2004	2003
		(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
TURNOVER	4	–	30,872
Cost of sales		–	(16,093)
Gross profit		–	14,779
Other operating (expenses)/income		(3,798)	11
Selling expenses		–	(570)
Administrative expenses		(2,757)	(5,332)
(LOSS)/PROFIT FROM OPERATIONS	5	(6,555)	8,888
Finance costs	6	–	(166)
Share of loss of an associate company		(99)	–
(LOSS)/PROFIT BEFORE TAXATION		(6,654)	8,722
Taxation	7	–	(3,750)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(6,654)	4,972
Minority interests		–	(380)
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR THE PERIOD		<u>(6,654)</u>	<u>4,592</u>
(LOSS)/EARNINGS PER SHARE	8		
– basic		<u>(0.83 cents)</u>	<u>0.57 cents</u>
– diluted		<u>N/A</u>	<u>N/A</u>



CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK'000
NON-CURRENT ASSETS			
Investment properties		132,783	214,200
Fixed Assets	10	64	14
Investment in an associate		235	331
		<u>133,082</u>	<u>214,545</u>
CURRENT ASSETS			
Deposit paid		5,220	–
Trade receivables	11	26,300	–
Other receivables and prepayments		2,774	1,880
Secured promissory note		4,000	4,000
Amount due from ultimate holding company		19	19
Cash and cash equivalents		274	3,932
		<u>38,587</u>	<u>9,831</u>
CURRENT LIABILITIES			
Other payables and accruals		2,454	2,407
Amount due to a related company		93	93
Tax payable		4,434	2,858
		<u>6,981</u>	<u>5,358</u>
NET CURRENT ASSETS		<u>31,606</u>	<u>4,473</u>
		<u>164,688</u>	<u>219,018</u>
CAPITAL AND RESERVES			
Share capital	12	8,000	8,000
Reserves		156,688	211,018
		<u>164,688</u>	<u>219,018</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(807)	12,417
Net cash used in investing activities	(11,222)	(575)
Net cash generated from/(used in) financing activities	8,371	(2,512)
	<u> </u>	<u> </u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,658)	9,330
Cash and cash equivalents at the beginning of the period	3,932	10,645
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>274</u>	<u>19,975</u>
	<u> </u>	<u> </u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>274</u>	<u>19,975</u>
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Translation Reserve	Revaluation Reserve	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2003 (Unaudited)	<u>8,000</u>	<u>16,365</u>	<u>(13,405)</u>	<u>35,117</u>	<u>74,978</u>	<u>121,055</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2004 (Unaudited)	<u>8,000</u>	<u>16,365</u>	<u>—</u>	<u>76,441</u>	<u>63,882</u>	<u>164,688</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>



Notes:

1. Basis of preparation

The unaudited condensed consolidated interim accounts (the “Interim Accounts”) have been prepared in accordance with Statement of Standard Accounting Practice (the “SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

These Interim Accounts have been prepared under the historical cost convention.

These Interim Accounts should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 March 2004.

The accounting policies adopted in the preparation of these Interim Accounts are consistent with those followed in the preparation of the Group’s audited annual financial statements for the year ended 31 March 2004.

3. Segment information

No business segment information (primary segment information) has been disclosed for the period presented as the Group is operating in a single business segment which is property development and investment. Substantially all of the Group’s operations are located in the PRC and therefore no geographical segment information has been disclosed for the period presented.

4. 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	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Proceeds from sales of properties	–	32,187
Rental and building management fee income from leasing of investment properties	–	318
Less: Business tax	–	(1,633)
	<u>–</u>	<u>30,872</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.



5. (Loss)/Profit from operations

	Six months ended	
	30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
(Loss)/Profit from operations has been arrived at after charging:		
Directors' remuneration	870	242
Other staff costs (excluding directors):		
Salaries and allowances	888	860
Retirement benefit scheme contributions	12	8
	<u>1,770</u>	<u>1,110</u>
Total staff costs		
Auditors' remuneration	112	–
Depreciation of owned fixed assets	7	32
Loss on disposal of properties held for investment	3,798	–
Operating lease rentals in respect of land and buildings	–	512
	<u>–</u>	<u>512</u>
and after crediting:		
Interest income	–	4
	<u>–</u>	<u>4</u>

6. Finance costs

	Six months ended	
	30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	–	4,184
Less: Amounts capitalised in properties under development	–	(4,018)
	<u>–</u>	<u>166</u>



7. 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.

Under the Implementation Regulations on the Provisional Regulations of the PRC on Land Appreciation Tax ("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 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 were 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 tax has not been provided for in these Interim Accounts as the amounts involved are not significant (2003: Nil).

8. (Loss)/Earnings per share

The calculation of basic loss per share for the period is based on the net loss attributable to shareholders for the six months ended 30 September 2004 of approximately HK\$6,654,000 (2003: net profit of approximately HK\$4,592,000) and on the weighted average number of 800,000,000 (2003: 800,000,000) ordinary shares in issue or deemed to be in issue throughout the periods presented.

Diluted (loss)/earnings per share has not been disclosed as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2004 and 2003.



9. Interim dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: Nil).

10. Fixed assets

	Furnitures, fixtures and equipment HK\$'000
At Cost:	
As at 1 April 2004 (Audited)	19
Additions	57
	<u>76</u>
As at 30 September 2004 (Unaudited)	<u><u>76</u></u>
Accumulated depreciation:	
As at 1 April 2004 (Audited)	5
Charge for the period	7
	<u>12</u>
As at 30 September 2004 (Unaudited)	<u><u>12</u></u>
Net book value:	
As at 30 September 2004 (Unaudited)	<u><u>64</u></u>
As at 31 March 2004 (Audited)	<u><u>14</u></u>

11. Trade receivables

The Group grants credit terms to purchasers of properties on the merit of individual purchaser's credit. The aged analysis of trade receivables as at 30 September 2004 is as follows:

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
0 – 90 days	<u><u>26,300</u></u>	<u><u>–</u></u>



12. Share capital

	Number of shares	Issued and fully paid share capital HK\$'000
Balance at 1 April 2004 and 30 September 2004	<u>800,000,000</u>	<u>8,000</u>

13. Operating lease commitments

As at 30 September 2004, the Group had future aggregate minimum lease payments under the non-cancellable operating leases in respect of land and buildings as follows:

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
Within one year	238	—
In the second to fifth year inclusive	<u>159</u>	<u>—</u>
	<u>397</u>	<u>—</u>

14. Related party transactions

There was no significant related party transactions undertaken by the Group at any time during the six months ended 30 September 2004 and 30 September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2004, the Group has not generated any turnover (six months ended 30 September 2003: approximately HK\$30.8 million). The Group's net loss attributable to shareholders were approximately HK\$6.7 million (six months ended 30 September 2003: net profit of approximately HK\$4.6 million).

MAJOR PROJECTS AND PROSPECTS OF THE GROUP

Investment Properties

Moving on from the disposal of its property development business subsidiaries, Better Best Limited and World Giant Investments Holdings Limited in last financial year, the Group now focuses on its remaining investment in property business. The Group is currently seeking new areas of quality projects in order to further diversify its business in different major cities of the PRC.

During the period under review, the Group has sold investment property in Dalian, PRC at a loss of approximately HK\$3.8 million. There remains 6,437.52 sq meters of property with the carrying value at approximately HK\$133 million.



Energy Development Projects

The Directors are of the view that Liquefied Natural Gas (“LNG”) will become one of the most important energy resources in the 21st Century. LNG is natural gas that is cooled and condensed into liquid. Unlike conventional natural gas which is required to be transported by pipelines, LNG is stored more effectively in a limited space and is more readily transported by ship or truck over long distances comparing with conventional natural gas. When LNG is warmed, it can be used for the same purposes as conventional natural gas. Developed countries are starting to replace pollutive and low-efficient energy resources by less pollutive and high-efficient LNG. In the meantime, the consumption of LNG is increasing rapidly in the world, but development and applications of LNG is still in an early stage. The development of LNG in the PRC is not sufficient to feed the boom in the PRC economy.

LNG development and transportation in Indonesia and China

On 19 November 2004, Sino Prosper Group Ltd (“SPGL”), a wholly owned subsidiary of the Company, entered into the Memorandum of Understanding (“MOU”) for the proposed cooperation with Sino Cheer (LNG) Industrial Limited (“Sino Cheer”) for the LNG business in Indonesia and the PRC. Sino Cheer is principally engaged in the exploration and development of LNG and it has entered into an agreement with an Indonesian company namely Pertamina Premas International for the development of LNG in Indonesia and the PRC. The Directors expect that SPGL and Sino Cheer will cooperate in the development and transportation of LNG from Indonesia to the PRC. Due to the enormous demand and growth potential of LNG in the PRC market, the Directors are of the view that the proposed cooperation would represent a good opportunity for the Group to develop the LNG market in the PRC.

The consideration of the proposed cooperation will be agreed between Sino Cheer and SPGL and based on the assessment by SPGL of the business and prospect of the LNG business. The form of cooperation has yet to be concluded between Sino Cheer and SPGL. SPGL will conduct due diligence work on the LNG business of Sino Cheer in Indonesia and the PRC. The MOU does not constitute the parties’ legally binding commitments as to the Proposed Cooperation.

Sales and marketing distribution setup in Northern China

On 10 December 2004, Sino Prosper Gas Limited (“SP”), a wholly owned subsidiary of the Company, entered into the Memorandum of Understanding for the Proposed Joint Venture with Lang Fang Development District Northern China Petroleum Sales Company (“NCP”) for the business of transportation, sales and marketing of natural gas and LNG. NCP is a company under China Petroleum Pipeline Bureau (中國石油天然氣管道局) and is reputable in the Northern China market for the sale of petroleum. The Proposed Joint Venture, CNPC Sino Prosper Petroleum and Gas Company Limited (中油中盈石油燃氣銷售有限公司), is a Sino-foreign owned joint venture, with registered capital of RMB50 million and the equity interest of the Proposed Joint Venture shall be owned as to 95% by SP and 5% by NCP. NCP will be responsible for the overall strategic planning including the sales and marketing strategy, transportation of natural gas and other coordination in the PRC and SP will be responsible for the source of natural gas including LNG and the required funding for the operation of the Proposed Joint Venture. The past experience of NCP in the area of energy-related business in the PRC will enhance the build up of the Proposed Joint Venture. Due to the enormous demand and growth potential of natural gas including LNG in the PRC market and the expertise of NCP in running energy-related business, the Proposed Joint Venture would represent a good opportunity for the Group to develop the natural gas market in the PRC.

The form of the Proposed Joint Venture has yet to be concluded between NCP and SP. The Memorandum of Understanding does not constitute the parties’ legally binding commitments as to the Proposed Joint Venture.

Other business development

In the near future, the Group will set up 2 companies, namely Sino Prosper Macau Travel Development Limited (中盈澳門旅遊發展有限公司) and Sino Prosper Northasia Travel Development Limited (中盈北亞旅遊開發有限公司), and the Group will actively seek for business development beneficial to the Group in these regions.



FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2004, the Group had bank and cash balances of approximately HK\$0.3 million (31 March 2004: approximately HK\$3.9 million). Its gearing ratio calculated as a ratio of debt to equity was nil (31 March 2004: nil). Net current assets totalled approximately HK\$31.6 million (31 March 2004: approximately HK\$4.5 million) and the current ratio was maintained at the strong level of approximately 5.53 (31 March 2004: approximately 1.83).

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the six months ended 30 September 2004.

TREASURY POLICIES

The Group generally finances its operations with internally generated funds. Bank deposits as at 30 September 2004 as shown in the Interim Accounts are denominated in Hong Kong dollars.

CONTINGENT LIABILITIES

As at 30 September 2004, the Group had no contingent liabilities (31 March 2004: nil).

COMMITMENT

Saved as disclosed under the heading "Operating lease commitments" above, as at 30 September 2004, the Group had no commitment (31 March 2004: nil).

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2004, the Group employed approximately 10 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 2004, the interests and short positions of the directors of the Company ("Directors") 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 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 2004, 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 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.

SHARE OPTION SCHEME

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 and up to 30 September 2004.



SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2004, 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	Capacity and nature of interest	Approximate percentage of interests
Climax Park Limited	600,000,000 ordinary shares of HK\$0.01 each of the Company	Beneficial owner	75%
Leung Ngai Man	600,000,000 ordinary shares of HK\$0.01 each of the Company	Interest of a controlled corporation (Note 1)	75%
Delta Fortune Limited	500,000,000 ordinary shares of HK\$0.01 each of the Company	Person having a security interest in shares	62.50%
Cheung Wo Sin	500,000,000 ordinary shares of HK\$0.01 each of the Company	Interest of a controlled corporation (Note 2)	62.50%

Notes:

1. 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 SFO, Leung Ngai Man is deemed to be interested in these 600,000,000 shares.
2. Delta Fortune Limited, a company incorporated in the British Virgin Islands and wholly owned by Cheung Wo Sin, had a security interest in these 500,000,000 shares. Under the SFO, Cheung Wo Sin is deemed to be interested in these 500,000,000 shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2004, 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 2004.

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 2004, 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 three independent non-executive directors of the Company. The interim report for the six months ended 30 September 2004 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, 30 December 2004

