



中盈控股有限公司
SINO PROSPER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)



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Corporate Information

EXECUTIVE DIRECTORS

Mr. LEUNG Ngai Man (*Chairman*)

Mr. YEUNG Kit

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kam Wah, Andrew

Mr. CHAN Sing Fai

COMPANY SECRETARY

Ms. CHIU Ngan Ling Annie

HONG KONG LEGAL ADVISOR

Chiu & Partners

AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

REGISTERED OFFICE

P.O. Box 2681 GT

Century Yard

Cricket Square

Hutchins Drive

George Town

British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units C-D

10th Floor

Neich Tower

128 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL BANKERS

China Construction Bank, Dalian Branch

Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited

28th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai

Hong Kong

Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I am pleased to present the annual results of Sino Prosper Holdings Limited ("Sino Prosper"/the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2003.

BUSINESS REVIEW AND PROSPECTS

SUCCESSFUL LISTING

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited successfully on 15 May 2002. The Group was very pleased with the overwhelming support received from investors and confident that its listing status has formed impetus to accelerate its business growth.

BUSINESS PERFORMANCE AND ANALYSIS

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$24,427,000, representing a drop of approximately 78% as compared to last year. Due to a change in demand in property market, the return on leasing of investment property was relatively favourable, while the sale of property was not as favourable as expected; thus, both the turnover and gross profit margin decreased as compared to last year.

As most of the tenants have just moved into Dalian Asia Pacific Finance Centre and they are still benefiting from their rent-free period, together with the series of aggressive policies adopted by the Company, waiving the management fee for certain tenants and property-owners for instance, to further enhance the occupancy of the building and improve its management and operation facilities, the increase in the Group's rental income and property management fees was less than its expectation.

Therefore, the Group's loss before tax and net loss attributable to shareholders were approximately HK\$9,901,000 (2002: profit before tax was approximately HK\$53,026,000) and HK\$9,665,000 (2002: net profit was approximately HK\$27,766,000), respectively.

MAJOR PROJECTS OF THE GROUP

Dalian Asia Pacific Finance Centre

Located at a prime business district in Dalian, at No. 55 Renmin Road, Zhongshan District, Dalian Asia Pacific Finance Centre is one of the Group's core development projects. Dalian Asia Pacific Finance Centre is a 28-storey commercial and residential building, adjacent to numerous financial institutions and 5-star hotels. This excellent location, together with its comprehensive amenities and utilities, including a clubhouse, business centre, conference room and parking areas, make it as an ideal place for business and residential purpose.

Gao Er Ji Road Project

In addition to Dalian Asia Pacific Finance Centre, another development of the Company is Gao Er Ji Road project located in Dalian. During the year, in response to the changing market demand, the Group made several changes to the project's interior design drawings. In addition, as there have been changes in the housing policy in the PRC, the management adjusted the project's completion date to 2004, to better meet market conditions.

Chairman's Statement

Golden Pebble Beach Project

Another Group development, the Dalian Golden Pebble Beach Project which involves a beach-front site at Golden Pebble Beach, is currently at its planning stages. The development project is located along a 36,002 sq.m. seafront site within the Jinshitan National Tourist Zone, adjacent to the Dalian Golden Beach Golf Club. The management plans to develop the project site into around 31 villas with a GFA of approximately 18,001 sq.m., with a completion date in 2005. Additionally, on 23 July 2003, the Group entered into a supplementary agreement with the transferor regarding the development of the land, and the transferor will transfer the usage rights of the land to the Group no later than 31 December 2003. The Group therefore believes that the project will be completed within the anticipated period.

Energy Development Project

During the year, apart from its property development business, the Group also actively looked for new drivers for future growth, capturing every golden opportunity to develop quality projects in order to further diversify its business in the PRC. As there is huge market potential in coal gas and power generation in northern PRC, the management sees new opportunities to expand the Group's scope of business and broaden its income streams. Therefore 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.

FINANCIAL REVIEW

NET ASSETS

As at 31 March 2003, the Group recorded total assets of approximately HK\$292,335,000, which were financed by liabilities of approximately HK\$171,587,000. The Group's net asset value as at 31 March 2003 increased by 4.86% to approximately HK\$116,463,000 as compared to approximately HK\$111,063,000 as at 31 March 2002.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. As at 31 March 2003, the Group had cash and bank balances of approximately HK\$10,645,000 (2002: approximately HK\$3,167,000). Its gearing ratio calculated as a ratio of debt to equity was approximately 0.61 (2002: approximately 0.61). Net current assets totalled approximately HK\$44,033,000 (2002: approximately HK\$21,266,000) and the current ratio was maintained at the healthy level of approximately 1.26 (2002: approximately 1.09).

CHARGES ON ASSETS

As at 31 March 2003, investment properties of approximately HK\$76,500,000 (2002: approximately HK\$95,800,000) and properties held for sale of approximately HK\$27,968,000 (2002: approximately HK\$36,259,000) were pledged to banks to secure banking facilities granted.

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 denominated in Renminbi.

CONTINGENT LIABILITIES

As at 31 March 2003, the Group had contingent liabilities in relation to penalties for late completion of properties of approximately HK\$8,471,000 (2002: approximately HK\$8,469,000) and guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties of approximately HK\$80,175,000 (2002: approximately HK\$94,867,000).

USE OF PROCEEDS OF NEW ISSUE

The Company placed and issued 130,000,000 shares on 9 May 2002 and the ultimate holding company of the Company also placed 70,000,000 shares at a price of HK\$0.25 each.

After deducting the related expenses, the net proceeds from the placing and public offer amounted to approximately HK\$24,200,000. During the year, approximately HK\$18,200,000 has been utilised for the development of various projects, expansion of the property management business and as working capital of the Group.

The remaining proceeds of approximately HK\$6,000,000 was placed into short-term deposits and savings account and will be applied in the coming years in accordance with the plans as stated in the Company's prospectus dated 30 April 2002.

COMMITMENT

As at 31 March 2003, expenditure contracted for but not provided in the financial statements in respect of acquisition of land in the PRC amounted to approximately HK\$3,224,000 (2002: approximately HK\$3,223,000).

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenues 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 31 March 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.

CONCLUSION

To conclude, I would like to take this opportunity to express my appreciation to the staff of the Group for their wholehearted commitment and dedicated performance. On behalf of the Board of Directors, I also wish to extend my sincere thanks to our shareholders and business partners for their continuous support to the Group. In the coming year, I firmly believe that there will be the

Chairman's Statement

continuing emergence of business opportunities in the region; we will be doing our best to strive for excellence. I look forward to leading all staff members as we work together in the best interests of the Group.

Leung Ngai Man
Chairman

Hong Kong, 29 July 2003

Management Profile

DIRECTORS

Executive directors

Mr. LEUNG Ngai Man, aged 42, is the founder and the Chairman of the Group. Mr. Leung has over 16 years of experience in the areas of trading, property development and property management in the PRC. Mr. Leung first engaged in the PRC trading business in 1983, since then he established an extensive network and relationship with numerous PRC companies and authorities. Mr. Leung commenced his business in the property development industry in the 1990s. He was previously a vice chairman and general manager of China Land Group Limited, the shares of which are currently listed on the Main Board of the Stock Exchange and principally engaged in the property development and investment in the PRC.

Mr. YEUNG Kit, aged 40, is an executive director of the Company. Mr. Yeung has over 8 years of experience in the field of banking and finance. Mr. Yeung also has over 10 years experience in the area of China Trade and investment.

Independent non-executive directors

Mr. LAU Kam Wah Andrew, aged 47, is a publisher of a healthcare magazine in Hong Kong. Mr. Lau has more than 20 years of experience as senior management with a number of companies in Hong Kong, which includes directorship in a publishing company. Mr. Lau has extensive knowledge and experience in the field of management, economics and accounting.

Mr. CHAN Sing Fai, aged 47, is the chairman of Finnex Development Limited and Vision On Net Technology Limited. Mr. Chan has about 21 years

of experience in property development and management. He was a director of Jones Lang Wootton Limited and the chairman of 401 Holdings Limited, a company currently listed on the main board of the Stock Exchange. Mr. Chan obtained a master degree of business administration from the Hong Kong Chinese University in 1981.

SENIOR MANAGEMENT

Mr. YU Jin Fan, aged 63, is the Chief Architect of the Group. Mr. Yu has been working as a structural architect with Dalian City Development General Company (大連城建總公司) since 1980. Mr. Yu joined the Group since 1993.

Mr. MIAO Feng, aged 47, is the Architect of the Group. Mr. Miao has been working as an architect with Dalian City Development General Company (大連城建總公司) since 1989. Mr. Miao joined the Group since 1996.

Ms. WU Wei Hua, aged 32, is the chief accountant of the Group in Dalian. Ms. Wu has more than seven years of experience in the accounting field. She joined the Group since 1996.

Mr. Ko Ming Kin, aged 40, was the Chief Financial Officer and Company Secretary of the Group and was responsible for financial, accounting and legal affairs. Mr. Ko has over 15 years of experience in accounting, finance and administration. Prior to joining the Group in November 2001, Mr. Ko worked as an executive in finance departments of a number of listed companies in Hong Kong. He holds a professional diploma in accountancy from Hong Kong Polytechnic University and is an associate of Hong Kong Society of Accountants,

Management Profile

fellow member of the Association of Chartered Certified Accountants and member of Hong Kong Securities Institute. Mr. Ko resigned on 11 July 2003.

Ms. CHIU Ngan Ling Annie, aged 35, is the Company Secretary of the Group. Ms. Chiu holds a Bachelor's degree in Arts majoring in Accountancy from the Hong Kong Polytechnic University. She has worked in an international accounting firm and has over 10 years of experience in accounting, finance and administration. She is a fellow member of The Association of Chartered Certified Accountants, an associate member of Hong Kong Society of Accountants and a member of Hong Kong Securities Institute. Ms. Chiu was appointed as the Company Secretary of the Group on 11 July 2003.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

REORGANISATION AND LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, on 25 April 2002, the Company became the holding company of the companies now comprising the Group and the shares of the Company were listed on the Stock Exchange since 15 May 2002.

Details of the Reorganisation are set out on page 21 of the annual report. Financial statements of the Group, based on the group structure following the group reorganisation, are set out on pages 15 to 52 of the annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the year.

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the annual report on pages 15 to 52.

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 March 2003.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from financial statements and reclassified as appropriate, is set out on pages 53 to 54 in the annual report. This summary does not form part of the audited financial statements.

PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in plant and equipment and investment properties of the Group during the year are set out in notes 16 and 15, respectively to the financial statements. Further details of the Group's investment properties are set out on page 55 in the annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

Under the Companies Laws of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 March 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$12,693,000 (2002: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 69% of the total sales for the year and sales to the largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for 64% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 16%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Leung Ngai Man

Mr. Yeung Kit (*appointed on 25 July 2002*)

Mr. Ng Ping Man

(*resigned on 31 March 2003*)

Ms. Lin Wei Fen

(*resigned on 20 September 2002*)

Independent non-executive directors:

Mr. Chan Sing Fai

Mr. Lau Kam Wah, Andrew

In accordance with the provisions of the Company's Articles of Association, Mr. Chan Sing Fai shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except Mr. Yeung Kit, has entered into a service contract with the Company for an initial term of two years commencing 1 April 2002, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Apart from the foregoing, no directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of the companies which became its subsidiaries on 25 April 2002 which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, no director had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of the companies which became its subsidiaries on 25 April 2002 was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Type of interest	Number of shares held
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.

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

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 year 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 the companies which became its subsidiaries on 25 April 2002 a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

STAFF RETIREMENT BENEFITS

Details of staff retirement benefits are set out in note 13 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 34 to the financial statements.

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 under the heading “Directors’ interests in shares” above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 36 to the financial statements. All of the related party transactions as disclosed in the financial statements are not subject to any disclosure or shareholders’ approval requirements as connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

MATERIAL ACQUISITIONS OR DISPOSALS

Saved as disclosed in note 18 to the financial statements, there was no material acquisitions or disposals of subsidiaries or associates in the course of the financial year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

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 accounting period covered by the annual report, 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, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company.

AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. HLB Hodgson Impey Cheng were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Leung Ngai Man
Chairman

Hong Kong, 29 July 2003



Chartered Accountants
Certified Public Accountants

**TO THE SHAREHOLDERS OF
SINO PROSPER HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 15 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made

by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 29 July 2003

Consolidated Income Statement

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	4	24,427	113,318
Cost of sales		(15,282)	(53,648)
Gross profit		9,145	59,670
Other revenue	4	55	154
Selling expenses		(304)	(364)
Administrative expenses		(12,797)	(5,588)
(Loss)/Profit from operations	6	(3,901)	53,872
Finance costs	7	(6,000)	(846)
(Loss)/Profit before taxation		(9,901)	53,026
Taxation	9	–	(24,241)
(Loss)/Profit before minority interests		(9,901)	28,785
Minority interests		236	(1,019)
Net (loss)/profit attributable to shareholders	11, 29	(9,665)	27,766
(Loss)/Earnings per share – basic, in cents	8	(1.21)	4.14

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

	Note	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 2001	29	–	–	(13,443)	–	52,285	38,842
Increase in share capital (a)		78	–	–	–	–	78
Exchange differences arising from translation of financial statements of the overseas operations	29	–	–	22	–	–	22
Revaluation increase	15, 29	–	–	–	44,355	–	44,355
Net profit for the year	29	–	–	–	–	27,766	27,766
At 31 March 2002 and at 1 April 2002 (b)	28(h), 29	78	–	(13,421)	44,355	80,051	111,063
Effect of the Reorganisation	28(h)	(78)	–	–	–	–	(78)
Exchange differences arising from translation of financial statements of the overseas operations	29	–	–	16	–	–	16
Reversal on transfer of investment properties to completed properties held for sale	15, 29	–	–	–	(8,648)	–	(8,648)
Revaluation decrease	15, 29	–	–	–	(590)	–	(590)
Issue of shares	28(e)	200	–	–	–	–	200
Issue of shares through the Placing and the Public Offer	28(f)	1,300	31,200	–	–	–	32,500
Share issue expenses	28(f)	–	(8,335)	–	–	–	(8,335)
Capitalisation of share premium	28(g)	6,500	(6,500)	–	–	–	–
Net loss for the year	29	–	–	–	–	(9,665)	(9,665)
At 31 March 2003		<u>8,000</u>	<u>16,365</u>	<u>(13,405)</u>	<u>35,117</u>	<u>70,386</u>	<u>116,463</u>

Notes:

- (a) Sino Prosper Group Limited was incorporated on 17 October 2000 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. Upon incorporation, one share of US\$1 was issued at par to the subscriber. On 31 July 2001, 9,999 shares of US\$1 each were issued at par to the then shareholder and these shares rank pari passu with the then existing share. Pursuant to a group reorganisation (the “Reorganisation”), Sino Prosper Group Limited became a wholly-owned subsidiary of the Company, details of the Reorganisation are set out in notes 1 and 28 to the financial statements.
- (b) The comparative figures of the Company’s share capital of approximately HK\$78,000 as at 31 March 2002 presented above and on the consolidated balance sheet represented the aggregate amount of the nominal value of the issued share capital of the subsidiary comprising the Group as at that date.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2003

(Expressed in Hong Kong dollars)

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets			
Investment properties	15	76,500	95,800
Plant and equipment	16	165	158
Investment in an associate	18	50	–
		<hr/> 76,715	<hr/> 95,958
Current assets			
Completed properties held for sale	19	76,492	79,230
Deposit paid	20	29,983	29,974
Properties under development	21	92,310	92,284
Trade receivables	22	6,144	35,457
Other receivables and prepayments		33	4,619
Amount due from a minority shareholder		–	1,159
Amount due from ultimate holding company	23	13	–
Cash and cash equivalents	24	10,645	3,167
		<hr/> 215,620	<hr/> 245,890
Less: Current liabilities			
Trade payables	25	30,072	89,832
Other payables and accruals		29,485	23,640
Amount due to a related company	26	97	114
Amount due to a director	27	–	2,136
Tax payable		41,059	41,048
Secured bank borrowings	34	70,874	67,854
		<hr/> 171,587	<hr/> 224,624
Net current assets		<hr/> 44,033	<hr/> 21,266
Total assets less current liabilities		<hr/> 120,748	<hr/> 117,224
Less: Minority interests		<hr/> 4,285	<hr/> 6,161
Net assets		<hr/> 116,463	<hr/> 111,063

Consolidated Balance Sheet

As at 31 March 2003

(Expressed in Hong Kong dollars)

	Note	2003 HK\$'000	2002 HK\$'000
Capital and Reserves			
Share capital	28	8,000	78
Reserves	29	108,463	110,985
		<u>116,463</u>	<u>111,063</u>

Approved by the Board of Directors on 29 July 2003 and signed on behalf of the Board by:

Leung Ngai Man
Director

Yeung Kit
Director

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 31 March 2003

(Expressed in Hong Kong dollars)

	Note	2003 HK\$'000	2002 HK\$'000
Non-current asset			
Investments in subsidiaries	17	20,677	–
Current assets			
Other receivables		–	212
Amount due from ultimate holding company		13	–
Bank balance		3	1
		16	213
Less: Current liability			
Amount due to a director	27	–	213
Net current assets		16	–
Net assets		20,693	–
Capital and Reserves			
Share capital	28	8,000	–
Reserves	29	12,693	–
		20,693	–

Approved by the Board of Directors on 29 July 2003 and signed on behalf of the Board by:

Leung Ngai Man
Director

Yeung Kit
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

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	<i>Note</i>	2003 HK\$'000	2002 <i>HK\$'000</i>
Net cash used in operating activities	<i>30(a)</i>	(14,368)	(26,133)
Cash flows from investing activities			
Increase in properties under development		–	(3,696)
Purchase of plant and equipment		(92)	(17)
Net cash used in investing activities		(92)	(3,713)
Cash flows from financing activities			
Issue of ordinary shares	<i>28(f)</i>	32,500	–
Share issue expenses	<i>28(f)</i>	(8,335)	–
Advance to an associate		(50)	–
New bank borrowings raised		3,000	34,866
Repayment of bank borrowings		–	(34,866)
Interest paid		(5,193)	(5,077)
Net increase in advance from a director		–	27,818
Net cash from financing activities		21,922	22,741
Net increase/(decrease) in cash and cash equivalents		7,462	(7,105)
Effect of foreign exchange rate changes		16	3
Cash and cash equivalents at 1 April 2002/2001		3,167	10,269
Cash and cash equivalents at 31 March 2003/2002		10,645	3,167
Analysis of balances of cash and cash equivalents			
Cash and bank balances	<i>24</i>	10,645	3,167

Certain items have been reclassified to conform with the presentation as required by Statement of Standard Accounting Practice 15 (revised).

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 26 October 2001. The directors consider the ultimate holding company at 31 March 2003 to be Climax Park Limited (“Climax Park”), a company incorporated in the British Virgin Islands (the “BVI”).

Pursuant to a group reorganisation (the “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”), on 25 April 2002, the Company became the holding company of the companies now comprising the group. The Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of Sino Prosper Group Limited.

The Company and its subsidiaries (the “Group”) resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the years ended 31 March 2002 and 2003 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 Reorganisation are set out in the prospectus (the “Prospectus”) issued by the Company dated 30 April 2002.

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

2. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the year.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties as explained in note 3(c) below, and in accordance with all Statements of Standard Accounting Practice (“SSAPs”) and Interpretations issued by the Hong Kong Society of Accountants, generally accepted accounting principles in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current year, the Group has adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

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

The effects of adopting these new SSAPs and a summary of the principal accounting policies followed by the Group in the preparation of the financial statements are set out below:

a. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than half of the voting power or holds more than half of the issued share capital or controls the composition of the board of directors or equivalent governing body. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Except for the Reorganisation which was completed on 25 April 2002, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

a. **Basis of consolidation** *(continued)*

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case it is stated at fair value with changes in fair value recognised in the income statement as they arise. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

b. **Associate**

An associate is an entity, not being a subsidiary or jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

In the Company's balance sheet, investments in associates are stated at cost less any provision for impairment losses. Such provision is determined and made for each associate individually. The results of associates are accounted for by the Company to the extent of dividends received and receivable.

c. **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

d. Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Motor vehicles	: 30%
Furniture, fixtures and equipment	: 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

e. Properties under development

Properties under development are stated at cost less allowances for any possible losses and provision for impairment losses. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, and is limited to the recoverable amount after due allowance for contingencies.

Properties under development which have either been pre-sold or are intended for sale are classified as current assets.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

f. Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties until they reach a marketable condition. Net realisable value is estimated by the directors based on prevailing market conditions.

g. Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

h. Current assets and liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

i. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

j. Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow of economic resources occurs so that outflow is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

k. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

l. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

m. Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements.

The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

n. Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are settled at their present values.

(ii) The Group participates in the mandatory provident fund for its employees in Hong Kong. Contributions to the fund by the Group and the employees are calculated as a percentage of the employees' basic salaries. The retirement benefit cost charged to the income statement represents contributions payable by the Group to the fund. The Group's contributions to the fund are expensed as incurred and the Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. The assets of the fund are held separately from those of the Group in an independently administered fund.

The Group's contributions to a local municipal government retirement scheme in the People's Republic of China (the "PRC") are charged to the income statement as incurred while the local municipal government in the PRC undertakes to assume the retirement obligations of all existing and future retirees of the qualified staff in the PRC.

(iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

n. Employee benefits (continued)

- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

o. Revenue recognition

- (i) Sales of completed properties held for sale are recognised upon the execution of legally binding sales agreements.
- (ii) Sales of properties under development are recognised upon the execution of legally binding sales agreements provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out in “Properties under development”.
- (iii) Rental income and building management fee income under operating leases are recognised in the period on a straight-line basis over the terms of the leases.
- (iv) Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the interest rate applicable.

p. Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling at the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of the overseas operations which are denominated in currencies other than the Hong Kong dollars are translated at the rates ruling at the balance sheet date whilst the income statements are translated at the average rates for the year. All exchange differences arising on consolidation are dealt with in translation reserve.

q. Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

r. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. TURNOVER AND REVENUE

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 year, and is analysed as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover:		
Proceeds from sales of properties	25,416	119,282
Rental and building management fee income from leasing of investment properties	297	–
	<u>25,713</u>	<u>119,282</u>
Less: Business tax	(1,286)	(5,964)
	<u>24,427</u>	<u>113,318</u>
Other revenue:		
Bank interest income	16	135
Sundry income	39	19
	<u>55</u>	<u>154</u>
Total revenue	<u>24,482</u>	<u>113,472</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 year.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION

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

6. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations has been arrived at after charging:

	2003 HK\$'000	2002 HK\$'000
Directors' remuneration (note 12)	997	584
Other staff costs (excluding directors):		
Salaries and allowances	1,347	739
Retirement benefit scheme contributions	76	32
	<u>2,420</u>	<u>1,355</u>
Less: Amounts capitalised in properties under development	-	(243)
	<u>2,420</u>	<u>1,112</u>
Auditors' remuneration	320	355
Depreciation	85	72
Management fee	1,242	1,922
Operating lease payments in respect of land and buildings	1,077	283
Net exchange losses	91	15

7. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within one year	6,000	5,077
Less: Amounts capitalised in properties under development	–	(4,231)
	6,000	846

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the year is based on the net loss attributable to shareholders of approximately HK\$9,665,000 (2002: net profit of approximately HK\$27,766,000) and on the weighted average number of 800,000,000 ordinary shares (2002: 670,000,000 ordinary shares) in issue or deemed to be in issue throughout the years presented on the assumption that the Reorganisation has been completed on 1 April 2001.

Diluted (loss)/earnings per share have not been disclosed as there were no potential ordinary shares outstanding during the years.

9. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
The PRC income tax	–	16,689
Land Appreciation Tax (“LAT”)	–	7,552
	–	24,241

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

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

9. TAXATION (continued)

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

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 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 in the financial statements as the amounts involved are not significant (2002: Nil).

10. DIVIDENDS

No interim dividend was paid during the year (2002: Nil). The directors do not recommend the payment of any final dividend for the year (2002: Nil).

11. NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net loss attributable to shareholders of approximately HK\$9,665,000 (2002: net profit of approximately HK\$27,766,000) includes a loss of approximately HK\$3,672,000 (2002: Nil) which has been dealt with in the financial statements of the Company.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors		
Directors' fees:		
Executive	–	–
Independent non-executive	–	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
Other emoluments to executive directors:		
Salaries and allowances	965	572
Retirement benefit scheme contributions	32	12
	<hr/>	<hr/>
	997	584
	<hr/>	<hr/>
Total directors' remunerations	997	584
	<hr/> <hr/>	<hr/> <hr/>

The aggregate emoluments of each of the directors during the year were less than HK\$1,000,000.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

The five highest paid individuals included three directors (2002: two directors) whose emoluments are set out above. The emoluments of the remaining two (2002: three) highest paid individuals for the year were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and allowances	335	406
Retirement benefit scheme contributions	10	–
	<u>345</u>	<u>406</u>

The aggregate emoluments of each of the employees during the year were less than HK\$1,000,000.

There were no arrangements under which the directors have waived or agreed to waive any emoluments. No emoluments were paid by the Group to the respective five highest paid employees, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. RETIREMENT BENEFIT SCHEMES

Effective from 14 March 2002, the Group has implemented a mandatory provident fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Both the Group (the employer) and its employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions of employer and employees are subject to a cap of monthly earnings of HK\$20,000 and thereafter contributions are voluntary. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

During the year, the Group contributed to a local Municipal Government retirement scheme to all qualified employees in the PRC. The contributions to such scheme which have been charged to the consolidated income statement represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

During the year, there are no benefits forfeited in accordance with the respective schemes' rules which have been used to reduce the employer's contributions.

14. 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; and (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.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

15. INVESTMENT PROPERTIES

	2003 HK\$'000	2002 HK\$'000
At 1 April 2002/2001	95,800	–
Transferred from properties under development	–	49,111
Transferred to completed properties held for sale	(18,678)	–
Revaluation (decrease)/increase	(622)	46,689
	<u>76,500</u>	<u>95,800</u>
At 31 March 2003/2002	<u>76,500</u>	<u>95,800</u>

Investment properties were valued at their open market value at 31 March 2003 by an independent firm of surveyor, Messrs Castores Magi Surveyors Limited, who have among their staff Registered Professional Surveyors, on an open market existing use basis. This valuation results in a revaluation decrease of approximately HK\$622,000 (2002: an increase of approximately HK\$46,689,000) which has been taken to the investment properties revaluation reserve. The carrying amount of investment properties comprises land in the PRC under medium-term lease.

The Group's investment properties have been pledged to secure banking facilities granted to the Group.

As at the balance sheet date, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	582	–
In the second to fifth year inclusive	241	–
	<u>823</u>	<u>–</u>

16. PLANT AND EQUIPMENT

	Motor vehicles <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:			
At 1 April 2002	347	170	517
Additions	–	92	92
	<hr/>	<hr/>	<hr/>
At 31 March 2003	347	262	609
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At 1 April 2002	243	116	359
Charge for the year	57	28	85
	<hr/>	<hr/>	<hr/>
At 31 March 2003	300	144	444
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2003	<u>47</u>	<u>118</u>	<u>165</u>
At 31 March 2002	<u>104</u>	<u>54</u>	<u>158</u>

17. INVESTMENTS IN SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	78	–
Amounts due from subsidiaries	<u>20,599</u>	–
	<hr/>	<hr/>
	<u>20,677</u>	–
	<hr/>	<hr/>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts are unlikely to be repaid within one year and are therefore classified as non-current.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

17. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
Access Power Group Limited	BVI	US\$1	–	100%	Provision for marketing and subcontracting services
Better Best Limited	BVI	US\$1	–	100%	Investment holding
Dalian Asia Finance Property Management Consultant Services Co., Ltd. (note (a)) 大連亞太物業行有限公司	PRC	US\$105,000	–	95.2%	Provision for property management services
Dalian Dong Gang Real Estate Development Co., Ltd. (note (b)) 大連東港房地產開發有限公司	PRC	US\$5,000,000	–	95%	Property development
Joint Profit Group Limited 駿港集團有限公司	Hong Kong	HK\$2	–	100%	Provision of administrative services
Lighting Charm Limited	BVI	US\$2	–	100%	Investment holding
Sino Prosper Group Limited	BVI	US\$10,000	100%	–	Investment holding
Sino Prosper Group Investments Limited 中盈集團投資有限公司	Hong Kong	HK\$2	–	100%	Inactive
World Giant Investments Holdings Limited	BVI	US\$1	–	100%	Investment holding

Notes:

- (a) Dalian Asia Finance Property Management Consultant Services Co., Ltd. was established on 12 June 2000 as a Sino-foreign equity joint venture enterprise under the laws of the PRC with limited liability and is currently owned as to 95.2% by World Giant Investments Holdings Limited.
- (b) Dalian Dong Gang Real Estate Development Co., Ltd. was established on 11 August 1992 and became a Sino-foreign equity joint venture enterprise under the laws of the PRC with limited liability in August 2000 and is currently owned as to 95 % by Better Best Limited.
- (c) The subsidiaries as shown in notes (a) and (b) above have a financial year end of 31 December. Their financial statements cannot be co-terminus with that of the Company for the reason of their need to comply with the regulations of the PRC.

18. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate at 31 March 2003 are as follows:

Name of associate	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest indirectly held by the Group	Principal activity
Bekwin International Ltd	BVI	US\$100	29%	Investment holding

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(a) Investment in an associate		
Unlisted shares, at cost	–	–
Amount due from an associate	50	–
Amount as shown in the consolidated balance sheet	50	–
Share of post-acquisition results as shown in note (b)	–	–
	50	–

During the year under review, a Company's wholly owned subsidiary, Lighting Charm Limited, acquired 29% of the issued share capital of Bekwin International Ltd ("Bekwin"), a company incorporated in the BVI with limited liability, with a consideration of US\$29, equivalent to approximately HK\$226, in which Lighting Charm Limited is a subscriber and a director of Bekwin. Bekwin has not commenced any business during the year, accordingly, its operating results as shown in note (b) below are not equity accounted for by the Group as, in the opinion of the directors, the amount is not significant to the Group.

The amount due from the associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the amount is unlikely to be repaid within one year and is therefore shown as non-current.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

18. INVESTMENT IN AN ASSOCIATE (continued)

	2003 HK\$'000	2002 HK\$'000
(b) Results of the associate		
Share of loss on ordinary activities before taxation	28	—
Share of taxation	—	—
	<hr/>	<hr/>
Net loss attributable to the Group	28	—
Excess portion of loss sharing over cost of investment	(28)	—
	<hr/>	<hr/>
Share of post-acquisition losses at 31 March 2003	—	—
	<hr/> <hr/>	<hr/> <hr/>

The results of the associate are based on its unaudited management accounts for the period from 8 August 2002 (date of incorporation) to 31 March 2003. The Group's share of loss of the associate would have been limited to the cost of investment of approximately HK\$226 if the equity method had been applied.

19. COMPLETED PROPERTIES HELD FOR SALE

During the year ended 31 March 2002, the Group has entered an arbitration proceeding with a contractor (the "Construction Contractor") claiming approximately HK\$5,769,000 against the Group, details of which are disclosed in page 24 of the Prospectus. On 13 January 2003, China International Economic and Trade Arbitration Commission in Beijing, the PRC ("CIETAC"), made an arbitral award in favour of the Construction Contractor such that the Group is required to settle the said claim which has been fully provided in the financial statements.

According to the advice given by the Group's PRC legal counsel, the completed properties held for sale amounted to approximately HK\$10,076,000 as at 31 March 2003 (2002: approximately HK\$10,073,000) which were subject to a charging order ordered by the People's Court of the PRC prior to the execution of the above arbitration, was released upon the issuance of the court order granted by CIETAC.

20. DEPOSIT PAID

The amount represents deposit paid for the acquisition of land in the PRC for the development of properties held for sale.

20. DEPOSIT PAID (continued)

According to the directors, no construction work has been commenced on the site on which the subject land is situated as at 31 March 2003. As construction work has not been commenced within the time period prescribed by the relevant PRC laws, the relevant PRC authorities may resume the site before the expiry of the land use right period. As at 29 July 2003, the directors are not aware of any indication that the relevant PRC authorities will resume the site on which the subject land is situated.

21. PROPERTIES UNDER DEVELOPMENT

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
At 1 April 2002/2001, at cost	92,284	192,784
Exchange realignment	26	68
Interest capitalised	-	4,231
Additions	-	77,190
Transferred to cost of sales	-	(53,648)
Transferred to investment properties	-	(49,111)
Transferred to completed properties held for sale	-	(79,230)
	<hr/>	<hr/>
At 31 March 2003/2002, at cost	92,310	92,284

The properties under development were valued at their open market value at 31 March 2003 by an independent firm of surveyor, Messrs Castores Magi Surveyors Limited, who have among their staff Registered Professional Surveyors, on an open market existing use basis. By reference to the valuation report, the directors consider that no impairment is necessary.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

22. TRADE RECEIVABLES

The Group grants credit terms to purchasers of properties on the merit of individual purchaser's credit. The aging analysis of trade receivables at the balance sheet date is as follows:

	2003 HK\$'000	2002 HK\$'000
0 – 90 days	6,144	35,434
1 – 2 years	–	23
	<u>6,144</u>	<u>35,457</u>

23. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

24. CASH AND CASH EQUIVALENTS

As at 31 March 2003, cash and cash equivalents include unused proceeds from the Placing and the Public Offer of approximately HK\$6 million placed into short-term deposit and savings account which should be used only for the Group's business in accordance with the plan as stated in the Prospectus.

As at 31 March 2003, approximately HK\$10,578,000 (2002: approximately HK\$3,162,000) of the Group's bank balances and deposits were denominated in Renminbi. Renminbi is not a freely convertible currency.

25. TRADE PAYABLES

The aging analysis of trade payables at the balance sheet date is as follows:

	2003 HK\$'000	2002 HK\$'000
0 – 90 days	–	31
91 – 180 days	–	954
181 – 365 days	–	41,538
1 – 2 years	30,072	27,740
Over 2 years	–	19,569
	<u>30,072</u>	<u>89,832</u>

26. AMOUNT DUE TO A RELATED COMPANY

The amount due is unsecured, non-interest bearing and has no fixed terms of repayment. Mr. Leung Ngai Man, an executive director of the Company, has beneficial interest in the related company, Pacific Glory Group Holding Limited (“Pacific Glory”).

27. AMOUNT DUE TO A DIRECTOR

The amount due was unsecured, interest-free and has been fully paid during the year.

28. SHARE CAPITAL

	Number of shares	Amount HK\$
<i>Authorised:</i>		
<i>Ordinary share of HK\$0.10 each:</i>		
At date of incorporation, at 31 March 2002 and at 1 April 2002 (a)	1,000,000	100,000
Share sub-division (b)	9,000,000	–
	<hr/>	<hr/>
<i>Ordinary share of HK\$0.01 each</i>	10,000,000	100,000
Increase in authorised ordinary share capital (c)	10,000,000	100,000
	<hr/>	<hr/>
	20,000,000	200,000
Increase in authorised ordinary share capital (d)	19,980,000,000	199,800,000
	<hr/>	<hr/>
At 31 March 2003	<u>20,000,000,000</u>	<u>200,000,000</u>

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

28. SHARE CAPITAL (continued)

	Number of shares	Amount HK\$
<i>Issued and fully paid:</i>		
<i>Ordinary share of HK\$0.10 each:</i>		
Issue of shares at nil paid upon incorporation (a)	999,999	–
Issue of shares at nil paid (a)	1	–
	<hr/>	<hr/>
At 31 March 2002 and at 1 April 2002 (h)	1,000,000	–
Share sub-division (b)	9,000,000	–
	<hr/>	<hr/>
<i>Ordinary share of HK\$0.01 each:</i>		
Ordinary shares at nil paid	10,000,000	–
Credited as fully paid for the issued nil paid shares (e)	–	100,000
	<hr/>	<hr/>
Issued ordinary shares of HK\$0.01 each	10,000,000	100,000
Issue of shares arising from the Reorganisation (e)	10,000,000	100,000
	<hr/>	<hr/>
	20,000,000	200,000
Issue of shares through the Placing and the Public Offer (f)	130,000,000	1,300,000
Capitalisation of share premium (g)	650,000,000	6,500,000
	<hr/>	<hr/>
At 31 March 2003	800,000,000	8,000,000
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The Company was incorporated on 26 October 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, of which (i) as to 999,999 shares were allotted and issued nil paid to Climax Park and (ii) as to the remaining one share was allotted and issued nil paid to Codan Trust Company (Cayman) Limited on 8 November 2001 and was transferred to Climax Park on the same date.
- (b) On 24 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.
- (c) Pursuant to a written resolution in writing of the then sole shareholder of the Company passed on 25 April 2002, the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of 10,000,000 ordinary shares with a nominal value of HK\$0.01 each, ranking pari passu with the then existing ordinary shares in all respects.

28. SHARE CAPITAL *(continued)*

Notes: (continued)

- (d) Pursuant to another written resolution in writing passed by the then sole shareholder of the Company on 25 April 2002, the authorised share capital of the Company was further increased from HK\$200,000 to HK\$200,000,000 by the creation of a further 19,980,000,000 shares with a nominal value of HK\$0.01 each, ranking *pari passu* with the then existing ordinary shares in all respects.
- (e) On 25 April 2002, pursuant to the Reorganisation, further details of which are set out in note 1 to the financial statements, the Company acquired the entire issued share capital of Sino Prosper Group Limited from Climax Park in consideration of and in exchange for which the Company (i) credited as fully paid at par the 10,000,000 nil paid shares then held by Climax Park, and (ii) allotted and issued, credited as fully paid at par, 10,000,000 shares to Climax Park.
- (f) On 9 May 2002, pursuant to the share offer scheme, the Company issued 130,000,000 ordinary shares of HK\$0.01 each by way of placing and public offer (the “Placing and the Public Offer”) at HK\$0.25 per share for a total cash consideration of approximately HK\$32,500,000 in relation to the listing of the Company’s shares on the Stock Exchange. Accordingly, approximately HK\$31,200,000 was credited to the share premium account (note 29). The Company’s shares were listed on the main board of the Stock Exchange on 15 May 2002. After deducting share issue expenses of approximately HK\$8,335,000, the net cash proceeds were approximately HK\$24,165,000.
- (g) Immediately after the Placing and the Public Offer, share premium of HK\$6,500,000 was capitalised and applied in paying up in full at par 650,000,000 shares with a nominal value of HK\$0.01 each for allotment and issue to the holders of the Company’s shares whose names appear on the register of members of the Company at the close of business on 25 April 2002 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing share holdings in the Company.
- (h) The share capital of approximately HK\$78,000 as at 31 March 2002 represented the aggregate amount of the nominal value of the issued share capital of the subsidiary comprising the Group for the purpose of preparing the proforma financial statements as at 31 March 2002.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

29. RESERVES

Group	Share premium HK\$'000	Translation reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	–	(13,443)	–	52,285	38,842
Exchange differences arising from translation of financial statements of the overseas operations	–	22	–	–	22
Revaluation increase (note 15)	–	–	44,355	–	44,355
Net profit for the year	–	–	–	27,766	27,766
At 31 March 2002 and at 1 April 2002	–	(13,421)	44,355	80,051	110,985
Exchange differences arising from translation of financial statements of the overseas operations	–	16	–	–	16
Reversal on transfer of investment properties to completed properties held for sale (note 15)	–	–	(8,648)	–	(8,648)
Revaluation decrease (note 15)	–	–	(590)	–	(590)
Issue of shares through the Placing and the Public Offer (note 28(f))	31,200	–	–	–	31,200
Share issue expenses (note 28(f))	(8,335)	–	–	–	(8,335)
Capitalisation of share premium (note 28(g))	(6,500)	–	–	–	(6,500)
Net loss for the year	–	–	–	(9,665)	(9,665)
At 31 March 2003	<u>16,365</u>	<u>(13,405)</u>	<u>35,117</u>	<u>70,386</u>	<u>108,463</u>

29. RESERVES (continued)

Company	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2002 and at 1 April 2002	–	–	–
Issue of shares through the Placing and the Public Offer (note 28(f))	31,200	–	31,200
Share issue expenses (note 28(f))	(8,335)	–	(8,335)
Capitalisation of share premium (note 28(g))	(6,500)	–	(6,500)
Net loss for the year	–	(3,672)	(3,672)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2003	<u>16,365</u>	<u>(3,672)</u>	<u>12,693</u>

Note:

Under the Companies Laws of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 March 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$12,693,000 (2002: Nil).

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of (loss)/profit from ordinary activities before taxation and minority interests to net cash used in operating activities

	2003 HK\$'000	2002 HK\$'000
(Loss)/Profit from ordinary activities before taxation and minority interests	(9,901)	53,026
Adjustments for:		
Bank interest income	(16)	(135)
Depreciation	85	72
Finance costs	6,000	846
Operating (loss)/profit before changes in working capital	(3,832)	53,809
Changes in working capital:		
Completed properties held for sale	12,314	–
Deposit paid	–	(29,974)
Properties under development	–	(19,696)
Trade receivables	29,313	(22,079)
Other receivables and prepayments	4,586	3,396
Amount due from a minority shareholder	–	(408)
Amount due from ultimate holding company	(13)	–
Trade payables	(59,760)	(14,399)
Other payables and accruals	5,039	4,356
Amount due to a director	(2,014)	–
Amount due to a related company	(17)	42
Net cash used in operations	(14,384)	(24,953)
Bank interest income	16	135
The PRC tax paid	–	(1,315)
Net cash used in operating activities	(14,368)	(26,133)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

b. Major non-cash transactions

- (i) Pursuant to the written resolution passed by the then sole shareholder of the Company on 25 April 2002, 650,000,000 shares with a nominal value of HK\$0.01 each were issued upon the capitalisation of certain sums standing to the credit of the share premium account of the Company.
- (ii) Pursuant to the agreement on 25 April 2002, the Company acquired the entire issued share capital of Sino Prosper Group Limited from Climax Park in consideration of and in exchange for which the Company (i) credited as fully paid at par the 10,000,000 nil paid shares then held by Climax Park, and (ii) allotted and issued, credited as fully paid at par, 10,000,000 shares to Climax Park.

31. OPERATING LEASE COMMITMENTS

As at 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follow:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	1,023	90
In the second to fifth year inclusive	2,162	–
	3,185	90

As at 31 March 2003, the Company had no commitments under operating leases (2002: Nil).

32. MANAGEMENT FEE COMMITMENTS

As at 31 March 2003, the Group had no commitments under non-cancellable management fee agreements (2002: approximately HK\$1,246,000).

As at 31 March 2003, the Company had no commitments under non-cancellable management fee agreements (2002: Nil).

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

33. OTHER COMMITMENTS

	2003 HK\$'000	2002 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>3,223</u>

34. BANKING FACILITIES

As at the balance sheet date, total banking facilities granted to the Group amounted to approximately HK\$70,874,000 (2002: approximately HK\$67,854,000) and were secured by the following:

	2003 HK\$'000	2002 HK\$'000
a. Pledge of assets		
Investment properties	76,500	95,800
Completed properties held for sale	<u>27,968</u>	<u>36,259</u>
	<u>104,468</u>	<u>132,059</u>
b. Corporate and personal guarantees granted by the Company and an executive director of the Company.		

35. CONTINGENT LIABILITIES

	2003 HK\$'000	2002 HK\$'000
Penalties for late completion of properties (a)	8,471	8,469
Guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties (b)	<u>80,175</u>	<u>94,867</u>
Total contingent liabilities	<u>88,646</u>	<u>103,336</u>

35. CONTINGENT LIABILITIES (continued)

Notes:

- (a) 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.
- (b) 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.

36. RELATED PARTY TRANSACTION

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

Name of related party	Nature of transaction	2003 HK\$'000	2002 HK\$'000
Pacific Glory	Rental expenses paid	<u>-</u>	<u>21</u>

Mr. Leung Ngai Man, an executive director of the Company, has beneficial interest in Pacific Glory.

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 during the year ended 31 March 2003.

37. POST BALANCE SHEET EVENTS

- a. A writ dated 19 December 2002 was filed by a purchaser with the People's Court of the PRC against the Company's subsidiary, Dalian Dong Gang Real Estate Development Co., Ltd ("Dalian Dong Gang") in respect of a dispute over the procurement for sale and repurchase of certain properties situated in Dalian Asia Pacific Finance Centre. A charging order granted by the People's Court of the PRC on 28 January 2003 whereby a charging order over Dalian Dong Gang's bank deposits for the sum of approximately RMB19,000,000 (or assets of an equivalent amount) was imposed, pending the outcome of the legal proceedings. As at the date of the announcement made by the Company on 21 March 2003, no asset of Dalian Dong Gang other than its bank accounts with a credit balance of approximately RMB330,000 (equivalent to approximately HK\$310,000) has been subject to such charging order.

Notes to the Financial Statements

For the year ended 31 March 2003

(Expressed in Hong Kong dollars)

37. POST BALANCE SHEET EVENTS *(continued)*

The purchaser subsequently applied for a withdrawal of its claims and the People's Court of the PRC gave an order on 17 July 2003, approving the withdrawal application. The People's Court of the PRC also ordered that all court fees in connection with the said litigation would be borne by the purchaser. According to the advice given by the Group's PRC legal counsel, the charging order over Dalian Dong Gang's bank deposits, was released upon the approval of the withdrawal application by the People's Court of the PRC.

- b. On 27 June 2003, the Group entered into a new loan agreement of RMB71,880,000 (equivalent to approximately HK\$67,760,000) with China Construction Bank, Dalian Branch, to replace its existing loan facility of RMB72,000,000 (equivalent to approximately HK\$67,874,000) in aggregate as at 31 March 2003. The loan is secured by all of the Group's investment properties and certain properties held for sale with an aggregate carrying value of approximately HK\$104,468,000 as at 31 March 2003, interest bearing at 0.56% per month and repayable on 26 May 2004.

38. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 July 2003.

Financial Summary

	Year ended 31 March				
	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Results					
Turnover	41,785	44,981	70,007	113,318	24,427
Cost of sales	(20,460)	(21,293)	(33,144)	(53,648)	(15,282)
Gross profit	21,325	23,688	36,863	59,670	9,145
Other revenue	27	29	36	154	55
Selling expenses	(141)	(52)	(1,326)	(364)	(304)
Administrative expenses	(1,768)	(1,940)	(4,398)	(5,588)	(12,797)
Profit/(Loss) from operations	19,443	21,725	31,175	53,872	(3,901)
Loss on disposal of a 5% interest in a subsidiary	-	-	(438)	-	-
Finance costs	-	-	-	(846)	(6,000)
Profit/(Loss) before taxation	19,443	21,725	30,737	53,026	(9,901)
Taxation	(4,560)	(5,029)	(8,359)	(24,241)	-
Profit/(Loss) before minority interests	14,883	16,696	22,378	28,785	(9,901)
Minority interests	(300)	(204)	(408)	(1,019)	236
Net profit/(loss) attributable to shareholders	<u>14,583</u>	<u>16,492</u>	<u>21,970</u>	<u>27,766</u>	<u>(9,665)</u>
Earnings/(Loss) per share – basic	<u>2.18 cents</u>	<u>2.46 cents</u>	<u>3.28 cents</u>	<u>4.14 cents</u>	<u>(1.21) cents</u>

	As at 31 March				
	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Assets and Liabilities					
Total assets	122,299	222,905	250,954	341,848	292,335
Total liabilities	(120,460)	(206,105)	(209,349)	(224,624)	(171,587)
Minority interests	(1,704)	-	(2,763)	(6,161)	(4,285)
Shareholders' funds	<u>135</u>	<u>16,800</u>	<u>38,842</u>	<u>111,063</u>	<u>116,463</u>

Financial Summary

Notes:

1. The Company was incorporated in the Cayman Islands on 26 October 2001 and became the holding company of the companies now comprising the Group on 25 April 2002 pursuant to a group reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
2. The proforma results of the Group for each of the three years ended 31 March 2001 presented above have been extracted from the Company's prospectus issued on 30 April 2002 in connection with the listing of the Company's shares on the Stock Exchange.
3. The results of the Group for the two years ended 31 March 2003 have been extracted from the consolidated income statement as set out in the accompanying financial statements.
4. The financial summary of the Group has been included for information only and has been prepared on a combined basis as if the current group structure had been in existence throughout those years.

Particulars of Properties Held by the Group

Name/Location	Type	Stage of completion	Effective % held	Lease term	Gross floor area (square metres)	Anticipated completion
A. Investment properties						
Dalian Asia Pacific Finance Centre No. 55, Ren Min Road, Zhong Shan District, Dalian City, Liaoning Province, the PRC	Residential and commercial	Completed	100%	Medium-term	4,934	–
B. Completed properties held for sale						
Dalian Asia Pacific Finance Centre No. 55, Ren Min Road, Zhong Shan District, Dalian City, Liaoning Province, the PRC	Residential and commercial	Completed	100%	Medium-term	11,710	–
C. Properties under development						
A development site located at Gao Er Ji Road, Xigang District, Dalian City, Liaoning Province, the PRC	Residential and commercial	Super-structure in progress	100%	Medium-term	15,912	2004

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Sino Prosper Holdings Limited (“**Company**”) will be held at 10:00 a.m. on Thursday, 28 August 2003 at Garden Room C & D, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong to transact the following ordinary businesses:

1. to receive and approve the audited consolidated financial statements and the reports of the directors and the auditors of the Company for the year ended 31 March 2003;
2. to re-elect Mr Chan Sing Fai as a director of the Company and to authorise the board of directors of the Company to fix the directors’ remuneration;
3. to re-appoint the Company’s auditors and to authorise the board of directors of the Company to fix their remuneration;

and, as special businesses, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

4. **“THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of Sino Prosper Holdings Limited (“**Company**”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and otherwise deal with the unissued shares (each a “**Share**”) of HK\$0.01 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which may require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as defined in paragraph (d) below) to make or grant offers, agreements and options which may require the exercise of such powers at any time during or after the expiry of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and

Notice of Annual General Meeting

- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of Sino Prosper Holdings Limited (**“Company”**) during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to purchase its shares (**“Shares”**) of HK\$0.01 each on The Stock Exchange of Hong Kong Limited (**“Stock Exchange”**) or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (**“SFC”**) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as defined in paragraph (c) below) shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”
6. “**THAT** conditional on the passing of resolution no.4 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution no.4 above be and it is hereby extended by the addition to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased or agreed to be purchased by the Company pursuant to or in accordance with the authority granted under paragraph (b) of resolution no.5 above.”

Hong Kong, 29 July 2003

By order of the board of directors of
Sino Prosper Holdings Limited
Chiu Ngan Ling Annie
Company Secretary

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

***Head office and principal place
of business in Hong Kong:***

Units C-D, 10th Floor
Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

Notice of Annual General Meeting

Notes:

- 1 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power or authority must be deposited at the offices of the Company's principal share registrar, Secretaries Limited, 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 48 hours before the time of the meeting or any adjourned meeting.
- 3 In relation to proposed resolutions numbered 4 and 6 above, approval is being sought from the shareholders for the grant to the directors of the Company of a general mandate to authorise the allotment and issue of shares of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors of the Company have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued pursuant to the exercise of any option which may be granted under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
- 4 In relation to proposed resolution no. 5 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares of the Company in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be set out in a separate document to be despatched to the shareholders together with the annual report for the year ended 31 March 2003.