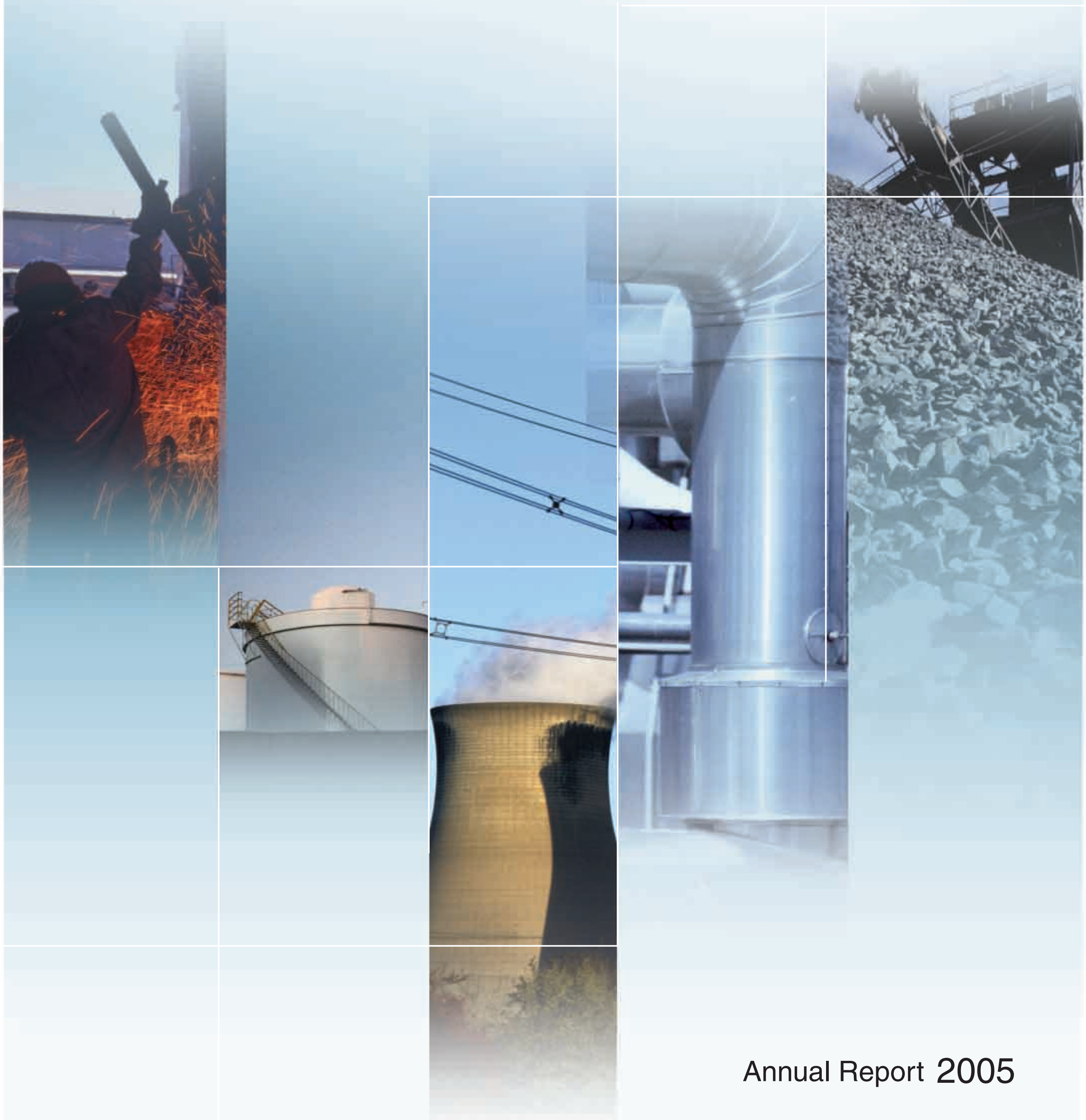
中盈控股有限公司

Sino Prosper Holdings Limited

(*Incorporated in the Cayman Islands with limited liability*)



Annual Report 2005

Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. LEUNG Ngai Man *(Chairman)*
Mr. YEUNG Kit
Mr. WONG Wa Tak
Mr. TANG Yan Tian
(To be appointed on 19 July 2005)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CAI Wei Lun
Mr. CHAN Sing Fai
Mr. LEUNG Wai Cheung

QUALIFIED ACCOUNTANT

Mr. CHAN Francis Ping Kuen

COMPANY SECRETARY

Ms. LEUNG Chui Kwan, Cecilia

HONG KONG LEGAL ADVISORS

Chiu & Partners

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units D-E
7th Floor
Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

HSBC Bank
China Construction Bank, Dalian Branch
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

Chairman's Statement

On behalf of the board ("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 2005.

BUSINESS REVIEW

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK$134,040,000 (year ended 31 March 2004: HK$27,831,000) from the sale of residential and commercial properties. This represents an increase of approximately 382% as compared to last year. Aiming at improving operational efficiencies, the management dedicated their efforts to adjust the Group's operation strategies, hence generating net profit attributable to shareholders of approximately HK$5,564,000 (year ended 31 March 2004: a net profit of approximately HK$150,000).

Apart from property development and management in the PRC, the Group has been taking steps to diversify into the energy sector. The following sets out briefly the progress of these projects, which the Group has been working on.

Energy Projects

1. *CNPC Sino Prosper Petroleum and Gas Company Ltd ("CNPC")*

   On 15 March 2005, Sino Prosper Gas Limited ("SPGL") and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited ("Hengsheng Shimao") agreed to set up a Sino-foreign equity joint venture company in the PRC, namely, CNPC. CNPC will be principally engaged in the wholesale, sale, transportation and storage of petroleum gas including liquefied natural gas, liquefied petroleum gas and other petroleum products. Upon the establishment, CNPC will be owned as to 95% by the Group and as to 5% by Hengsheng Shimao. The total investment of CNPC will amount to RMB125 million (equivalent to approximately HK$117.9 million). The registered capital of CNPC in the sum of RMB50 million will be contributed as to RMB47.5 million in cash (equivalent to approximately HK$44.8 million) by SPGL and as to RMB2.5 million in cash (equivalent to approximately HK$2.4 million) by Hengsheng Shimao.

2. *Indonesia-Bitumen Joint Venture Extraction Project*

a) *Establishment of new joint venture in Indonesia*

   On 25 April 2005, Sino Prosper Resources Limited ("SPRL"), a subsidiary of the Company entered into a joint venture agreement with two Indonesians, Mr. Sayono and Mr. Hariono Moeliawan, to establish a joint venture company under the proposed name of "P.T. Sino Prosper Indocarbon" ("SPI") in Indonesia for the purpose of extraction of bitumen in Buton Island, Indonesia (the world's largest bitumen mine). For phase 1 of the bitumen extraction project, a minimum of 1,200,000 metric tons of marine fuel oil and a minimum of 50,000 metric tons of asphalt modifier will be produced. Under the joint venture agreement, upon the establishment, SPI will be owned as to 65% by the Group, as to 25% and 10% respectively by the Indonesian counterparties respectively.

CHAIRMAN'S STATEMENT

As at the date of this announcement, SPI is in the process of being established in Indonesia.

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

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

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

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

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

On 17 March 2005, SPRL and CMEC entered into an agreement pursuant to which CMEC will conduct the exploration and mining of the Buton Bitumen Mine. Upon the commission of the Buton Bitumen Mine, CMEC will be responsible for engineering, production and management of the mine and will be retained as the engineering procurement construction contractor for the project. CMEC will provide financing arrangement, including seller's credit. CMEC will also assist to procure potential purchasers in the PRC for all the products produced or extracted from the project at a price not higher than the international oil market price.

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

OUTLOOK AND NEW DEVELOPMENTS

a) Selective Prospecting of Property Development Investments

With increased policy uncertainty in Mainland China, the Group will take a more selective position on property development and continue to explore new investment opportunities for the coming year.

b) Direct Focus on Energy Resources

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

Forward looking, as there is a great demand for marine fuel oil and bitumen derived from power generation in the future, the Group will build on these new energy projects and work closely with our new partners by tapping on their extensive experience in technical support, construction, sub-contracting and solid marketing network both in the PRC and overseas for the bitumen extraction project. The Group expects the bitumen mine will undergo pilot operation at the end of 2006 and operate at the first quarter of 2007. For phase 1 of the bitumen extraction project, a minimum of 1,200,000 metric tons of marine fuel oil and a minimum of 50,000 metric tons of asphalt modifier will be produced. The Group hopes to generate profit from these new investments in the near future.

FINANCIAL REVIEW

Net assets

As at 31 March 2005, the Group recorded total assets of approximately HK$188,704,000 (as at 31 March 2004: HK$224,376,000), which were financed by liabilities of approximately HK$43,974,000 (as at 31 March 2004: HK$5,358,000). The Group's net asset value as at 31 March 2005 decreased by 34% to approximately HK$144,730,000 as compared to approximately HK$219,018,000 as at 31 March 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. During the year, the Company issued by way of placement to independent individuals, corporate and/or institutional placees 115,000,000 shares of HK$0.01 each at HK$0.40 per share raising net proceeds of approximately HK$44,600,000. The closing price per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date on which such placement price was fixed was HK$0.435. The proceeds of approximately HK$6,000,000 have been used for general working capital purposes with the remaining balance placed in banks to be used for future energy resource related projects of the Group. As at 31 March 2005, the Group had cash and bank balances of approximately HK$38,642,000 (as at 31 March 2004: approximately HK$3,932,000). Its gearing ratio calculated as a ratio of interest bearing net debt to shareholders' funds was nil (as at 31 March 2004: Nil). Net current assets totalled approximately HK$144,626,000 (as at 31 March 2004: approximately HK$4,473,000) and the current ratio was maintained at a level of approximately 4.34 (2004: approximately 1.83).

TREASURY POLICIES

The Group generally finances its operations with internally generated resources.

CONTINGENT LIABILITIES

As at 31 March 2005, the Group had no contingent liabilities (as at 31 March 2004: Nil).

CAPITAL COMMITMENTS

As at 31 March 2005, the Group had the following commitments which were not provided for in the financial statements:

	2005	2004
	HK$'000	*HK$'000*
Authorised and contracted for in respect of investment in a joint venture company	**44,811**	–

The above capital commitments refer to the Group's investment in CNPC, brief details of which have been set out in the paragraph headed "Energy Projects" under the section headed "Business Review" above.

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 2005, the Group employed approximately 16 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, 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

On behalf of the Group, I would like to thank our business partners for their cooperation and support. I would also like to take this opportunity to thank our Board of Directors, staff and valued partners in business for their contribution and efforts throughout the year. We will continue to strive for outstanding results for the Group and better returns for our investors.

Leung Ngai Man
Chairman

Hong Kong, 18 July 2005

MANAGEMENT PROFILE

DIRECTORS

Mr. LEUNG Ngai Man, aged 44, is the founder and chairman of the Group. He is also a director of all of the Group's subsidiaries. Mr. Leung has over 18 years' experience in the areas of trading, property development and management in the PRC. Mr. Leung first engaged in the PRC business in 1983, since then he established an extensive network and relationship with numerous PRC companies and authorities. Mr. Leung commenced business in the property development sector in the 1990s. He was previously a vice chairman and general manager of China Land Group Limited (now known as China Velocity Group Limited), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and principally engaged in the property development and investment in the PRC.

Mr. Leung is deemed to be interested in 480,330,000 ordinary shares of the Company under the Securities and Futures Ordinance ("SFO")

Mr. YEUNG Kit, aged 42, joined the Group in 2001. He is an executive Director and a director of Sino Prosper Gas (Luo Yang) Limited, Sino Prosper Northasia Travel Development Limited, Sino Prosper Macau Travel Development Limited and all of the Company's subsidiaries incorporated in Hong Kong. Mr. Yeung has over 10 years' experience in the field of banking and finance, and more than 12 years' experience in the area of China trade and investment.

Mr. WONG Wa Tak, aged 42, joined the Company as executive Director in 2005. Mr. Wong graduated from The Hong Kong Polytechnic University and has extensive experience in the shipping industry for over 10 years, particularly in bulk cargo transportation for petroleum products, chemicals and gas cargoes. Since 1993, he has concentrated in equity investment and business development in the PRC. For the past 12 years, Mr. Wong has been involved in many merger and acquisition transactions, covering sectors of real estate development, power plants and toll roads. Mr. Wong also has experience in the usage of asphalt for toll road/high way construction and maintenance.

Mr. TANG Yan Tian (to be appointed on 19 July 2005), aged 54, holds a Bachelor's degree in Mechanical Engineering from Jilin Industrial University and a Bachelor's degree in English Language and Foreign Trade from The University of International Business & Economics, Beijing, China. He also obtained a Master's degree in Computer Science from The City University of New York, United States of America. He has 28 years of technical and management experience in project development and feasibility studies, international marketing and system engineering in the infrastructure, environmental protection and energy sectors. Mr. Tang has been involved in projects in oil refinement, energy and auto industries, which include bitumen extraction project in Indonesia. Mr. Tang had worked with China National Machinery & Equipment Import & Export Corporation ("CMEC") for over 6 years before becoming the director of Sino-Overseas Machinery & Tech. Corp., a subsidiary of CMEC in the United States of America.

MANAGEMENT PROFILE

Mr. CHAN Sing Fai, aged 49, joined the Company in 2002 as an independent non-executive Director. He is also the chairman of Finnex Development Limited. Mr. Chan has about 23 years' experience in property development and management. He obtained a Master's Degree in Business Administration from The Chinese University of Hong Kong in 1981.

Mr. CAI Wei Lun, aged 50, joined the Company in 2004. He is an independent non-executive Director and has over 16 years' experience in the property development sector in the PRC.

Mr. LEUNG Wai Cheung, aged 40, joined the Company as independent non-executive Director in 2004. He is a qualified accountant and chartered secretary with over 16 years' experience in accounting, auditing and financial management. Mr. Leung holds a Bachelor of Commerce degree in Accounting and subsequently obtained a postgraduate Diploma in Corporate Administration and a Master's degree in Professional Accounting. He is an associate member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Companies Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Mr. Leung is the chief financial officer of FlexSystem Holdings Limited and an independent non-executive director of Mobicon Group Limited and CIG-WH International (Holdings) Limited.

SENIOR MANAGEMENT

Mr. CHAN Francis Ping Kuen, aged 46, is the Group Financial Controller since June 2005. Mr. Chan is a member of the Institute of Chartered Accountants in Australia and a member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years' experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States of America.

Ms. CHUAH Meng Meng, aged 35, joined the Company in October 2004 as its Financial Controller. Ms. Chuah is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and a Chartered Accountant with the Malaysian Institute of Accountants. Ms. Chuah holds a Bachelor's degree in Accountancy and has more than 13 years' experience in auditing, accounting and financial management in multinational companies and listed companies in Hong Kong and the PRC.

Ms. LEUNG Chui Kwan, Cecilia, aged 35, joined the Company in June 2005 as its Company Secretary. Ms. Leung has about 12 years' experience in the field of corporate finance and company secretarial administration. She holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong. She is also an associate member of both the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

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 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are property development and management in the Peoples' Republic of China ("PRC"), investment in coal gas production and power generation in northern PRC and investment in the production of raw materials for power generation and construction of highways in the PRC. Details of the subsidiaries are set out in note 18 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 of the Group's operations 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 profit for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the annual report on pages 21 to 58.

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 March 2005.

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 page 59 in the annual report. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES AND FIXED ASSETS

Details of movements in investment properties and fixed assets of the Group during the year are set out in notes 16 and 17 respectively to the financial statements. Further details of the Group's investment properties and fixed assets are set out on pages 44 and 45 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 25 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

Under the Companies Law 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. As at 31 March 2005, the reserves of the Company available for distribution to shareholders comprising the share premium account and accumulated losses amounted to approximately HK$11,681,000. As at 31 March 2004, in the opinion of the Directors, no reserve was available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sale to the Group's five largest customers accounted for 96% of the total sale for the year and sale to the largest customer included therein amounted to 33%. Purchase from the Group's five largest suppliers accounted for 100% of the total purchase for the year and purchase from the largest suppliers included therein amounted to 91%.

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.

DISCLOSURE OF TRADE RECEIVABLES PURSUANT TO RULE 13.20 OF THE LISTING RULES

The table below sets out the details as required by Rule 13.15 of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), of advances to entities by the Group, which continued to exist and were disclosable pursuant to Rule 13.13 of the Listing Rules.

Name of entities	Nature of advances giving rise to disclosable obligations	Aggregate amount due to the Group as at 31 March 2005 *(HK$)*	Terms of advances
(1) 大連華邦房地產開發有限公司	Trade receivables resulted from sale by the Group in its ordinary course of business	49,000,000	Unsecured, interest-free and repayable on or before 31 December 2005 or within 30 days from the date of completion of remedial works whichever is later.
(2) 大連民勇集團股份有限公司	Trade receivables resulted from sale by the Group in its ordinary course of business	46,000,000	Unsecured, interest-free and repayable on or before 31 January 2006 or within 30 days from the date of completion of remedial works whichever is later.

Name of entities	Nature of advances giving rise to disclosable obligations	Aggregate amount due to the Group as at 31 March 2005 *(HK$)*	Terms of advances
(3) 大連遠東肉牛養殖廠	Trade receivables resulted from sale by the Group in its ordinary course of business	23,299,023	Unsecured, interest-free and repayable on or before 30 June 2005 or within 30 days from the date of completion of remedial works whichever is later.

DIRECTORS

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

Executive Directors:
Mr. Leung Ngai Man
Mr. Yeung Kit
Mr. Wong Wa Tak
(appointed on 14 January 2005)

Independent non-executive Directors:
Mr. Chan Sing Fai
Mr. Cai Wei Lun
(appointed on 29 June 2004)
Mr. Leung Wai Cheung
(appointed on 24 September 2004)

The executive Director to be appointed on 19 July 2005 is:
Mr. Tang Yan Tian

In accordance with Article 108(A) of the Articles, Mr. Chan Sing Fai, an independent non-executive Director, will retire as Director by rotation and, being eligible, offer himself for re-election as Director at the forthcoming Annual General Meeting.

Further, in accordance with Article 112 of the Articles, Messrs Leung Wai Cheung and Wong Wa Tak who were appointed an independent non-executive Director with effect from 24 September 2004 and as executive Director from 14 January 2005 by the Board, shall hold office only until the Annual General Meeting and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr. Tang Yan Tian will be appointed as an executive Director of the Company on 19 July 2005. In accordance with Article 112 of the Articles, Mr. Tang Yan Tian once appointed with effect from 19 July 2005 by the Board, shall hold office until the Annual General Meeting and, being eligible, will offer himself for re-election at the forthcoming Annual General Meeting.

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.

As of 31 March 2005, the Company received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and on such basis considers that each of such independent non-executive Directors has remained to be independent.

Details of Directors' and employees' emoluments are set out in note 13 to the financial statements.

EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate, and is reviewed and determined by the Directors regularly with reference to the duties, responsibility and performance of individual employees, the legal framework and the market conditions.

The emolument of the Directors will be reviewed by the Remuneration Committee of the Board regularly, such fee was determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

A share option scheme was adopted by the Company on 25 April 2002 to grant share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Details of the share option scheme are set out in note 15 to the financial statements.

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 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Leung Ngai Man and the Company have entered into a service contract which is automatically renewable for the successive terms of one year each commencing from 1 April 2004 but shall not be longer than three years, unless terminated by either party giving not less than three months' notice in writing to the other party.

Yeung Kit has entered into a service contract with the Company for an initial term of two years commencing from 1 January 2005, which will be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Wong Wa Tak has entered into a service contract with the Company for an initial term of two years commencing from 15 January 2005, which will be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Save as disclosed above, none of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 March 2005, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:–

(i) *Interest in shares of the Company*

	Number of ordinary shares held as corporate interest	% of total issued shares
Executive Director:		
Leung Ngai Man	480,330,000	52.49%

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

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

Name	Capacity	Total number of underlying shares	Approximate of shareholding
Leung Ngai Man	Beneficial owner	8,000,000 *(Note 1)*	0.87%
Yeung Kit	Beneficial owner	8,000,000 *(Note 2)*	0.87%
Chan Sing Fai	Beneficial owner	800,000 *(Note 3)*	0.09%
Wong Wa Tak	Interest of a controlled corporation	7,000,000 *(Note 4)*	0.77%

Notes:

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

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

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

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

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 31 March 2005, none of the Directors or chief executive of the Company had any interest or short positions in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' and chief executive's interests and short positions in shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 15 to the financial statements.

Concerning the share options granted by the Company under the share option scheme during the year, the Directors do not consider it appropriate to disclose a theoretical value of the options granted on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to shareholders.

As at 31 March 2005, the Company had 67,600,000, share options outstanding under the share option scheme, which represented 7.39% of the Company's shares in issue as at 31 March 2005. None of the share options granted by the Company under the share option scheme had been exercised during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the following interests of 5% or more of the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Number of shares	Capacity and nature of interest	Approximate percentage of interests
Climax Park Limited	480,330,000 ordinary shares of HK$0.01 each of the Company	Beneficial owner	52.49%
Leung Ngai Man	480,330,000 ordinary shares of HK$0.01 each of the Company	Interest of a controlled corporation *(Note 1)*	52.49%
Delta Fortune Limited	500,000,000 ordinary shares of HK$0.01 each of the Company	Person having a security interest in shares	54.64%
Cheung Wo Sin	500,000,000 ordinary shares of HK$0.01 each of the Company	Interest of a controlled corporation *(Note 2)*	54.64%

Notes:

1. These 480,330,000 shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man. Under the SFO, Leung Ngai Man is deemed to be interested in these 480,330,000 shares.

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

Save as disclosed above, as at 31 March 2005, no person, other than Directors of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

STAFF RETIREMENT BENEFITS

Details of staff retirement benefits are set out in note 14 to the financial statements.

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

No related party transactions were entered into during the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2005.

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals of subsidiaries or associates in the course of the financial year.

SUBSEQUENT EVENT

Details of the significant subsequent event are set out in note 30 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors to represent the interests of the Company and/or the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 (in force prior to 1 January 2005), throughout the accounting period covered by the report, except that the independent non-executive Directors 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 Articles.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls and comprises the three independent non-executive Directors. The financial statements of the Company for the year ended 31 March 2005 have been reviewed by the Committee before they were tabled for the Board's review and approval.

AUDITORS

The accompanying accounts were audited by Messrs. HLB Hodgson Impey Cheng. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Yeung Kit
Executive Director

Hong Kong, 18 July 2005

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong, SAR

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

We have audited the financial statements on pages 21 to 58 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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 judgements 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.

AUDITORS' REPORT

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 2005 and of the profit 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, 18 July 2005

Consolidated Income Statement

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

	Note	2005 *HK$'000*	2004 *HK$'000*
Turnover	5	**134,040**	27,831
Cost of sales		**(120,084)**	(19,932)
Gross profit		**13,956**	7,899
Other revenue	5	**328**	48
Gain on disposal of subsidiaries		**–**	10,609
Selling expenses		**–**	(765)
Administrative expenses		**(8,707)**	(9,348)
Profit from operations	7	**5,577**	8,443
Finance costs	8	**(13)**	(4,742)
Profit before taxation		**5,564**	3,701
Income tax	12	**–**	–
Profit before minority interests		**5,564**	3,701
Minority interests		**–**	(3,551)
Net profit attributable to shareholders	11, 26	**5,564**	150
Dividends	10	**–**	–
Earnings per share			
Basic	9	**0.68 cents**	0.02 cents
Diluted	9	**N/A**	N/A

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 2005
(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
As at 1 April 2003	26	8,000	16,365	(13,405)	35,117	70,386	116,463
Exchange differences arising from translation of financial statements of the overseas operations	26	–	–	165	–	–	165
Released on disposals of the overseas operations	26	–	–	13,240	–	–	13,240
Revaluation increase	16, 26	–	–	–	89,000	–	89,000
Net profit for the year	26	–	–	–	–	150	150
As at 31 March 2004 and as at 1 April 2004		8,000	16,365	–	124,117	70,536	219,018
New issue of shares by way of placing	25, 26	1,150	44,850	–	–	–	46,000
Share issue expenses	25, 26	–	(1,735)	–	–	–	(1,735)
Revaluation reserve attributable to investment properties released on disposal	26	–	–	–	(124,117)	–	(124,117)
Net profit for the year	26	–	–	–	–	5,564	5,564
As at 31 March 2005		**9,150**	**59,480**	**–**	**–**	**76,100**	**144,730**

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

Consolidated Balance Sheet

As at 31 March 2005

(Expressed in Hong Kong dollars)

	Note	**2005**	2004
		HK$'000	*HK$'000*
Non-current assets			
Investment properties	*16*	**–**	214,200
Fixed assets	*17*	**787**	14
Investment in an associate	*19*	**–**	331
		787	214,545
Current assets			
Trade receivables	*20*	**129,651**	–
Other receivables and prepayments		**16,008**	1,880
Secured promissory note	*21*	**3,592**	4,000
Amount due from ultimate holding company	*22*	**24**	19
Cash and cash equivalents		**38,642**	3,932
		187,917	9,831
Less: Current liabilities			
Other payables and accruals		**43,105**	5,265
Amount due to a related company	*23*	**–**	93
Current portion of obligation under a hire-purchase contract	*24*	**186**	–
		43,291	5,358
Net current assets		**144,626**	4,473
Total assets less current liabilities		**145,413**	219,018
Less: Non-current liabilities			
Obligation under a hire-purchase contract	*24*	**683**	–
Net assets		**144,730**	219,018

CONSOLIDATED BALANCE SHEET

As at 31 March 2005
(Expressed in Hong Kong dollars)

	Note	2005	2004
		HK$'000	*HK$'000*
Capital and Reserves			
Share capital	*25*	**9,150**	8,000
Reserves	*26*	**135,580**	211,018
		144,730	219,018

Approved by the Board of Directors on 18 July 2005 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 2005
(Expressed in Hong Kong dollars)

	Note	2005 HK$'000	2004 HK$'000
Non-current asset			
Investments in subsidiaries	18	**13,094**	116
Current assets			
Amount due from an associate	19	**–**	67
Amount due from ultimate holding company	22	**24**	19
Cash and cash equivalents		**8,301**	3,922
		8,325	4,008
Less: Current liabilities			
Accruals		**588**	60
Net current assets		**7,737**	3,948
Net assets		**20,831**	4,064
Capital and Reserves			
Share capital	25	**9,150**	8,000
Reserves	26	**11,681**	(3,936)
		20,831	4,064

Approved by the Board of Directors on 18 July 2005 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 2005
(Expressed in Hong Kong dollars)

	Note	2005 HK$'000	2004 HK$'000
Net cash (used in)/ generated from operating activities	27	**(9,800)**	10,145
Cash flows from investing activities			
Proceeds from secured promissory note		**500**	–
Payments to acquire fixed assets		**(159)**	(307)
Acquisition of interest in a jointly controlled entity		**–**	(4,257)
Disposal of subsidiaries, net of cash and cash equivalents disposed of		**–**	(3,484)
Net cash generated from/ (used in) investing activities		**341**	(8,048)
Cash flows from financing activities			
Net proceeds from issue of shares		**44,265**	–
Advance to an associate		**(21)**	(281)
Capital repayment for obligation under a hire-purchase contract		**(62)**	–
Repayment of bank borrowings		**–**	(4,017)
Interest paid		**(13)**	(4,742)
Net cash generated from/ (used in) financing activities		**44,169**	(9,040)
Net increase/ (decrease) in cash and cash equivalents		**34,710**	(6,943)
Effect of foreign exchange rate changes		**–**	230
Cash and cash equivalents as at 1 April 2004/ 2003		**3,932**	10,645
Cash and cash equivalents as at 31 March 2005/ 2004		**38,642**	3,932
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**38,642**	3,932

As at 31 March 2005, the Group had cash and bank balances of approximately HK$27,831,000 (2004: Nil) which were denominated in Renminbi and placed in the banks situated in the People's Republic of China.

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

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

1. CORPORATE STRUCTURE

The Company was incorporated with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company on 26 October 2001. The directors consider the ultimate holding company as at 31 March 2005 to be Climax Park Limited ("Climax Park"), a company incorporated in the British Virgin Islands (the "BVI").

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 18 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. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. PRINCIPAL ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

a. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a. Basis of preparation *(Continued)*

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties as explained in note 4d below.

b. 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.

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.

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.

c. 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c. Associate *(Continued)*

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.

d. 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.

e. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold improvements:	20%
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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f. 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.

g. 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.

h. Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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.

i. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j. 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.

k. Contingent liabilities and contingent assets

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. A contingent asset is not recognised but is 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.

l. 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.

m. Income tax

The charge for taxation in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

4. PRINCIPAL ACCOUNTING POLICIES ***(Continued)***

m. Income tax ***(Continued)***

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

n. 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

o. 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.

(iii) The Group's contributions to a local municipal government retirement scheme in 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.

(iv) 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.

(v) 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.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p. Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(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.

(v) Sundry income is recognised when received.

q. 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r. Assets under leases

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods. Depreciation is provided in accordance with the Group's depreciation policy (note 4(e)).

s. 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.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

5. 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 follow:

	2005	2004
	HK$'000	*HK$'000*
Turnover:		
Proceeds from sales of properties	**141,095**	28,689
Rental and building management fee income from leasing of investment properties	**–**	607
	141,095	29,296
Less: Business tax	**(7,055)**	(1,465)
	134,040	27,831
Other revenue:		
Interest income	**328**	–
Sundry income	**–**	48
	328	48
Total revenue	**134,368**	27,879

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.

6. 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 of the Group's operations are located in the PRC and therefore no geographical segment information has been disclosed for the years presented.

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging the following:

	2005	2004
	HK$'000	*HK$'000*
Directors' remuneration *(note 13)*	**2,958**	756
Other staff costs (excluding directors):		
Retirement benefit scheme contributions	**12**	107
Salaries and allowances	**614**	1,762
Total staff costs	**3,584**	2,625
Auditors' remuneration	**330**	315
Depreciation		
– owned fixed assets	**23**	90
– leased fixed assets	**294**	–
Operating lease rentals in respect of land and buildings	**327**	1,256
Net exchange losses	**53**	65
Impairment loss on investment in an associate	**352**	–

8. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within one year	**–**	4,742
Interest element of a hire-purchase contract	**13**	–
	13	4,742

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit attributable to shareholders of approximately HK$5,564,000 (2004: HK$150,000) and on the weighted average number of 822,370,000 ordinary shares (2004: 800,000,000 ordinary shares) in issue or deemed to be in issue throughout the years presented.

No diluted earnings per share has been presented as the share options outstanding had an anti-dilutive effect on the basic earnings per share for the year ended 31 March 2005. Diluted earnings per share has not been presented as there were no dilutive potential ordinary shares outstanding for the year ended 31 March 2004.

10. DIVIDENDS

No interim dividend was paid during the year (2004: Nil). The directors do not recommend the payment of any final dividend for the year (2004: Nil).

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net profit attributable to shareholders of approximately HK$5,564,000 (2004: HK$150,000) includes a net loss of approximately HK$27,498,000 (2004: HK$16,629,000) which has been dealt with in the financial statements of the Company.

12. INCOME TAX

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

The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC. No provision for PRC income tax has been made as there was no assessable profits during the year.

Deferred tax has not been provided for in the financial statements as the amounts involved are not significant (2004: Nil).

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors	**2005** ***HK$'000***	2004 *HK$'000*
Directors' fees:		
Executive directors	**–**	–
Independent non-executive directors	**90**	–
	90	–
Other emoluments to executive directors:		
Salaries and allowances	**2,820**	744
Retirement benefit scheme contributions	**48**	12
	2,868	756
Total directors' remuneration	**2,958**	756

The emoluments of the directors fall within the following bands:

	Number of directors	
	2005	2004
HK$Nil – HK$1,000,000	**6**	5
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	–
	7	5

There was an independent non-executive director resigned during the year ended 31 March 2005.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

The five highest paid individuals included three directors (2004: two directors) whose emoluments are set out above. The emoluments of the remaining two (2004: three) highest paid, non-director individuals for the year were as follow:

	2005	2004
	HK$'000	*HK$'000*
Salaries and allowances	**360**	354
Retirement benefit scheme contributions	**–**	11
	360	365

The aggregate emoluments of each of the above highest paid, non-director individuals 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 individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

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

15. 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 including consultants as incentives for their contributions to the development of the Group.

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 and 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.

(Expressed in Hong Kong dollars)

15. SHARE OPTION SCHEME *(Continued)*

Movement in the share options during the year is as follow:

Name of directors/ employees/ consultants	Date of grant	Exercisable period	Exercise price per share	Number of share options: Granted during the year	Exercised/ lapsed during the year	Outstanding as at 31 March 2005
Directors:						
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK$0.41	8,000,000	–	8,000,000
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	–	1,400,000
	12 January 2005	12 January 2005 to 11 January 2015	HK$0.41	6,600,000	–	6,600,000
Master Hill Development Limited *(note)*	29 November 2004	29 November 2004 to 28 November 2014	HK$0.46	7,000,000	–	7,000,000
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	800,000	–	800,000
Sub-total				23,800,000	–	23,800,000
Employees	7 October 2004	7 October 2004 to 6 October 2014	HK$0.45	6,000,000	–	6,000,000
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.46	8,000,000	–	8,000,000

15. SHARE OPTION SCHEME *(Continued)*

Name of directors/ employees/ consultants	Date of grant	Exercisable period	Exercise price per share	Number of share options: Granted during the year	Exercised/ lapsed during the year	Outstanding as at 31 March 2005
Consultants	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	5,800,000	–	5,800,000
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.46	16,000,000	–	16,000,000
	23 March 2005	23 March 2005 to 22 March 2015	HK$0.34	8,000,000	–	8,000,000
Grand total				67,600,000	–	67,600,000

Note:

Mr. Wong Wa Tak, an executive director of the Company, has beneficial interest in Master Hill Development Limited.

None of the director, employees and consultants of the Company had exercised their options during the year ended 31 March 2005.

Total consideration received during the year from the directors, employees and consultants for taking up the options granted amounted to HK$13 (2004:Nil).

The exercise in full of the outstanding vested options would have, with the capital structure of the Company as at 31 March 2005, resulted in the issue of additional 67,600,000 ordinary shares.

Subsequent to the year ended 31 March 2005, the Company further granted additional 12,000,000 share options to two individuals.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES

	2005	2004
	HK$'000	*HK$'000*
As at 1 April 2004/ 2003	**214,200**	76,500
Disposed during the year	**(214,200)**	–
Transferred from completed properties held for sale	**–**	48,700
	–	125,200
Revaluation increase *(note 26)*	**–**	89,000
As at 31 March 2005/ 2004	**–**	214,200

The investment properties were revalued at their open market value at 31 March 2004 by an independent firm of surveyors, Castores Magi (Hong Kong) Limited, who have among their staff Registered Professional Surveyors, on an open market value basis. The valuation results in a revaluation increase of approximately HK$89,000,000 which has been taken to the investment properties revaluation reserve. The carrying value of investment properties includes land in the PRC under medium-term lease.

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	**–**	519
In the second to fifth years inclusive	**–**	–
	–	519

17. FIXED ASSETS

	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
At cost:				
As at 1 April 2004	–	–	19	19
Additions	52	980	58	1,090
As at 31 March 2005	52	980	77	1,109
Accumulated depreciation:				
As at 1 April 2004	–	–	5	5
Charge for the year	10	294	13	317
As at 31 March 2005	10	294	18	322
Net book value:				
As at 31 March 2005	**42**	**686**	**59**	**787**
As at 31 March 2004	–	–	14	14

The net book value of fixed assets of the Group includes an amount of approximately HK$686,000 (2004:Nil) in respect of assets held under a hire-purchase contract.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**78**	78
Amounts due from subsidiaries	**37,025**	4,218
Amounts due to subsidiaries	**(3,996)**	(4,180)
	33,107	116
Less: Provision for amounts due from subsidiaries	**(20,013)**	–
	13,094	116

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

Details of the Company's subsidiaries as at 31 March 2005 are as follow:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company Direct	Indirect	Principal activities
Sino Prosper Group Limited	BVI	US$10,000	100%	–	Investment holding
Access Power Group Limited	BVI	US$1	–	100%	Provision for marketing and subcontracting services
Joint Profit Group Limited	Hong Kong	HK$2	–	100%	Provision for administrative services

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company Direct	Indirect	Principal activities
Konrich (Asia) Limited	Hong Kong	HK$2	–	100%	Investment holding
Lighting Charm Limited	BVI	US$2	–	100%	Investment holding
Sino Prosper Gas Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Gas (Luoyang) Limited	BVI	US$1	–	100%	Investment holding
Sino Prosper Medical Technology Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper LNG Limited *	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Resources Limited *	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Northasia Travel Development Limited *	BVI	US$1	–	100%	Investment holding
Sino Prosper Macau Travel Development Limited *	BVI	US$1	–	100%	Investment holding
Dalian Haixin Investment Consultant Co., Ltd *	PRC	US$130,000	–	100%	Provision for consultancy services

* Sino Prosper LNG Limited, Sino Prosper Resources Limited, Sino Prosper Northasia Travel Development Limited, Sino Prosper Macau Travel Development Limited and Dalian Haixin Investment Consultant Co., Ltd were incorporated by the Company during the year ended 31 March 2005.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

19. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate as at 31 March 2005 are as follow:

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

	2005 *HK$'000*	2004 *HK$'000*
(a) Investment in an associate		
Unlisted shares, at cost	–	–
Amount due from an associate	352	331
Less: provision	(352)	–
Amount as shown in the consolidated balance sheet	–	331
Share of post-acquisition results as shown in *note (b)*	–	–
	–	331

As at 31 March 2004 and 2005, the Company held 29% of the issued share capital of Bekwin International Ltd ("Bekwin"), a company incorporated in the BVI with limited liability, through its wholly-owned subsidiary, Lighting Charm Limited. Lighting Charm Limited is a subscriber and a director of Bekwin. During the year ended 31 March 2005, Bekwin has not commenced any business and 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. As the directors of the Company consider that the recoverability of the outstanding balance of approximately HK$352,000 as at 31 March 2005 to be uncertain, the outstanding balance has been fully provided during the year ended 31 March 2005.

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

(b) Results of the associate

	2005	2004
	HK$'000	*HK$'000*
Share of loss on ordinary activities before taxation	**2**	70
Share of taxation	**–**	–
Net loss attributable to the Group	**2**	70
Excess portion of loss sharing over cost of investment	**(2)**	(70)
Share of post-acquisition losses as at 31 March 2005/ 2004	**–**	–

The results of the associate are based on its unaudited management accounts for the year ended 31 March 2005. The Group's share of loss of the associate would have been limited to its cost of investment of US$29, equivalent to approximately HK$226, if the equity method had been applied.

20. TRADE RECEIVABLES

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

	2005	2004
	HK$'000	*HK$'000*
0 – 90 days	**95,000**	–
91 – 180 days	**7,991**	–
180 – 270 days	**26,660**	–
	129,651	–

21. SECURED PROMISSORY NOTE

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

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

22. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

23. AMOUNT DUE TO A RELATED COMPANY

The amount due to the related company, Pacific Glory Group Holding Limited, is unsecured, interest-free and has no fixed terms of repayment. Mr. Leung Ngai Man, an executive director of the Company, had beneficial interest in the related company during the year ended 31 March 2004.

24. OBLIGATION UNDER A HIRE-PURCHASE CONTRACT

As at 31 March 2005, the Group had obligation under a hire-purchase contract repayable as follow:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**226**	–
More than one year but within five years	**828**	–
Total minimum finance lease payable	**1,054**	–
Future finance charges on finance lease	**(185)**	–
Total present value of minimum lease payment	**869**	–
Present value of minimum finance lease liabilities		
– Within one year	**186**	–
– More than one year but within five years	**683**	–
	869	–

25. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.01 each:		
As at 31 March 2004 and 2005	**20,000,000,000**	**200,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each:		
As at 31 March 2003, as at 31 March 2004 and 1 April 2004	800,000,000	8,000,000
New issue of shares by way of placing *(note)*	115,000,000	1,150,000
As at 31 March 2005	**915,000,000**	**9,150,000**

Note:

On 10 January 2005, the Company announced that it had entered into a Placing and Subscription Agreement dated 7 January 2005 (the "Agreement") with the joint placing agents and the ultimate holding company, Climax Park Limited ("Climax Park"). Pursuant to the Agreement, Climax Park agreed to place through the joint placing agents, an aggregate of 115,000,000 ordinary shares of HK$0.01 each (the "Placing Shares") to independent third parties at a price of HK$0.4 per share. Pursuant to the Agreement, Climax Park conditionally agreed to subscribe for an aggregate of 115,000,000 shares at a price of HK$0.4 share.

The Placing Shares were issued under the general mandate granted to the directors of the Company by resolution of the Company's shareholders passed at the extraordinary general meeting of the Company held on 21 February 2005. The Top-Up Placing Price (or the Top-Up Subscription Price) of HK$0.4 represents (i) a discount of about 8% to the closing price of HK$0.435 per share as quoted on The Stock Exchange of Hong Kong Limited on the last trading days before the date of the Agreement; (ii) a discount of about 4.53% to the average closing price per share of HK$0.419 as quoted on The Stock Exchange of Hong Kong Limited for the last five full trading days up to the last trading day immediately before the date of the Agreement; and (iii) a premium of about 1.52% over the average closing price per share of HK$0.394 as quoted on The Stock Exchange of Hong Kong Limited for the last ten full trading days up to the last trading day immediately before the date of the Agreement. The net proceeds received by the Company amounted to approximately HK$44.6 million were used as the general working capital of the Group and investment funding to the Group on possible investment projects.

26. RESERVES

Group	Share premium HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 April 2003	16,365	(13,405)	35,117	70,386	108,463
Exchange differences arising from translation of financial statements of the overseas operations	–	165	–	–	165
Released on disposals of the overseas operations	–	13,240	–	–	13,240
Revaluation increase *(note 16)*	–	–	89,000	–	89,000
Net profit for the year	–	–	–	150	150
As at 31 March 2004 and as at 1 April 2004	16,365	–	124,117	70,536	211,018
New issue of shares by way of placing *(note 25)*	44,850	–	–	–	44,850
Share issue expenses *(note 25)*	(1,735)	–	–	–	(1,735)
Revaluation reserve attributable to investment properties released on disposal	–	–	(124,117)	–	(124,117)
Net profit for the year	–	–	–	5,564	5,564
As at 31 March 2005	**59,480**	**–**	**–**	**76,100**	**135,580**

26. RESERVES *(Continued)*

Company	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2003	16,365	(3,672)	12,693
Net loss for the year	–	(16,629)	(16,629)
As at 31 March 2004 and as at 1 April 2004	16,365	(20,301)	(3,936)
New issue of shares by way of placing *(note 25)*	44,850	–	44,850
Share issue expenses *(note 25)*	(1,735)	–	(1,735)
Net loss for the year	–	(27,498)	(27,498)
As at 31 March 2005	**59,480**	**(47,799)**	**11,681**

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit from operations before taxation and minority interests to net cash (used in)/ generated from operating activities

	2005 HK$'000	2004 HK$'000
Profit from operations before taxation and minority interests	**5,564**	3,701
Adjustments for:		
Interest income	**(328)**	–
Depreciation	**317**	90
Gain on disposal of subsidiaries	**–**	(10,609)
Impairment loss on investment in an associate	**352**	–
Finance costs	**13**	4,742
Operating profit/ (loss) before changes in working capital	**5,918**	(2,076)
Changes in working capital:		
Completed properties held for sale	**–**	13,795
Trade receivables	**(32,513)**	(14,132)
Other receivables and prepayments	**(14,128)**	(55,561)
Amount due from ultimate holding company	**(5)**	(6)
Trade payables	**–**	(4,910)
Other payables and accruals	**30,785**	73,039
Amount due to a related company	**(93)**	(4)
Net cash (used in)/ generated from operations	**(10,036)**	10,145
Interest received	**236**	–
Net cash (used in)/ generated from operating activities	**(9,800)**	10,145

28. OPERATING LEASE COMMITMENTS

As at 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follow:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**218**	–
In the second to fifth years inclusive	**40**	–
	258	–

29. CAPITAL COMMITMENTS

As at 31 March 2005, the Group had the following commitments which were not provided for in the financial statements:

	2005	2004
	HK$'000	*HK$'000*
Authorised and contracted for in respect of investment in a joint venture company	**44,811**	–

Pursuant to a joint venture agreement dated 4 February 2005 entered into between a wholly owned subsidiary of the Company, Sino Prosper Gas Limited ("SPGL") and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the People's Republic of China for a term of 30 years commencing from the date of issue of the business license of the joint venture company, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas. Pursuant to the joint venture agreement, the registered capital of the joint venture company is RMB50 million (equivalent to approximately HK$47.2 million) which will be contributed as to RMB47.5 million in cash (equivalent to approximately HK$44.8 million) by SPGL from the internal financial resources of the Group, and as to RMB2.5 million in cash (equivalent to approximately HK$2.4 million) by the Joint Venture Partner.

29. CAPITAL COMMITMENTS *(Continued)*

On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company to be contributed by SPGL as to approximately HK$44.8 million remain unchanged and no contribution has been made by SPGL up to the date of approval of these financial statements.

30. SUBSEQUENT EVENT

On 26 April 2005, the Company announced that its wholly owned subsidiary Sino Prosper Resources Limited ("SP Resources"), Mr. Sayono and Mr. Hariono Moeliawan entered into a joint venture agreement dated 25 April 2005 for the establishment of a joint venture company, named PT Sino Prosper Indocarbon (the "Joint Venture Company"), a limited liability joint venture company incorporated in Indonesia for the purpose of extraction of bitumen in the bitumen mine in Buton Island, Indonesia. Upon the establishment, the Joint Venture Company will be owned as to 65% by the Group, as to 25% by Mr. Sayono and as to 10% by Mr. Hariono Moeliawan. Pursuant to the joint venture agreement, the initial investment and authorised share capital of the Joint Venture Company will amount to US$5,000,000 (equivalent to approximately HK$39,000,000) and the initial paid up capital of the Joint Venture Company will amount to US$1,250,000 (equivalent to approximately HK$9,750,000). The initial paid up capital of the Joint Venture Company will be contributed as to US$812,000 (equivalent to approximately HK$6,337,500) by SP Resources. SP Resources, Mr. Sayono and Mr. Hariono Moeliawan agree that Mr. Sayono shall transfer the patent technology on extracting bitumen from asbuton to the Joint Venture Company as payment in kind in exchange for 35% of the issued share capital of the Joint Venture Company, 25% to Mr. Sayono and 10% to Mr. Hariono Moeliawan. Save as the initial investment amount of US$5,000,000

30. SUBSEQUENT EVENT *(Continued)*

for the Joint Venture Company, the Group, Mr. Sayono and Mr. Hariono Moeliawan do not have any capital commitment to the Joint Venture Company. Up to the date of approval of these financial statements, the Joint Venture Company is still in the progress of obtaining the mining rights of the bitumen mine in Buton Island of Indonesia from the central government authority of Indonesia and no contribution has been made by SP Resources.

On 22 March 2005, the Company announced that SP Resources entered into an agreement (the "Agreement") with China National Machinery & Equipment Import & Export Corporation ("CMEC"). Pursuant to the Agreement, CMEC will act as the project consultant to perform the feasibility study and due diligence of the bitumen extraction project and will also be appointed as the engineering procurement construction contractor for the project. The cooperation between SP Resources and CMEC is subject to the entering into further formal agreement. Further on 16 May 2005, SP Resources entered into a cooperation agreement with CMEC in respect of the Indonesia Bitumen Extraction Projection Agreement. SP Resources, Mr. Sayono and Mr. Hariono Moeliawan entered into a joint venture agreement dated 25 April 2005, for the establishment of the Joint Venture Company. Based on the information provided by Mr. Sayona and the report provided by Alberta Research Council, the total investment would not be exceeded US$50,000,000. Pursuant to the cooperation agreement, CMEC would procure financing arrangement of not more than US$45,000,000 (equivalent to approximately HK$350,100,000) for the Joint Venture Company. Such financing arrangement is to be financed by entering into a loan agreement between the Joint Venture Company and bank situated in the People's Republic of China.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

32. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 July 2005.

Financial Summary

	Year ended 31 March				
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	70,007	113,318	24,427	27,831	**134,040**
Cost of sales	(33,144)	(53,648)	(15,282)	(19,932)	**(120,084)**
Gross profit	36,863	59,670	9,145	7,899	**13,956**
Other revenue	36	154	55	48	**328**
Gain on disposal of subsidiaries	–	–	–	10,609	**–**
Selling expenses	(1,326)	(364)	(304)	(765)	**–**
Administrative expenses	(4,398)	(5,588)	(12,797)	(9,348)	**(8,707)**
Profit/(loss) from operations	31,175	53,872	(3,901)	8,443	**5,577**
Loss on disposal of a 5% interest in a subsidiary	(438)	–	–	–	**–**
Finance costs	–	(846)	(6,000)	(4,742)	**(13)**
Profit/(loss) before taxation	30,737	53,026	(9,901)	3,701	**5,564**
Income tax	(8,359)	(24,241)	–	–	**–**
Profit/(loss) before minority interests	22,378	28,785	(9,901)	3,701	**5,564**
Minority interests	(408)	(1,019)	236	(3,551)	**–**
Net profit/(loss) attributable to shareholders	21,970	27,766	(9,665)	150	**5,564**
Earnings/(loss) per share – basic	3.28 cents	4.14 cents	(1.21) cents	0.02 cents	**0.68 cents**

	As at 31 March				
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and Liabilities					
Total assets	250,954	341,848	292,335	224,376	**188,704**
Total liabilities	(209,349)	(224,624)	(171,587)	(5,358)	**(43,974)**
Minority interests	(2,763)	(6,161)	(4,285)	–	**–**
Shareholders' funds	38,842	111,063	116,463	219,018	**144,730**

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 two 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 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.