Capital Prosper Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2003

	Notes	Six months ended 30th June 2003 HK$'000 (unaudited)	30th June 2002 HK$'000 (unaudited)
Turnover	3	**56,124**	37,486
Cost of Sales		**(48,662)**	(30,534)
Gross profit		**7,462**	6,952
Other operating income		**276**	281
Distribution costs		**(2,654)**	(1,268)
Administration expenses		**(14,593)**	(10,346)
Other operating expenses		**(438)**	—
Impairment loss recognised in respect of goodwill	8	**(5,911)**	—
Loss from operations	4	**(15,858)**	(4,381)
Finance costs		**(191)**	(2,023)
Loss before minority interests		**(16,049)**	(6,404)
Minority interests		**125**	(51)
Net loss for the period		**(15,924)**	(6,455)
Loss per share — Basic	6	**(2.24) cents**	(0.91)cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June 2003

	Notes	30th June 2003 HK$'000 (unaudited)	31st December 2002 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment	7	**5,471**	6,123
Intangible assets		**776**	833
Goodwill	8	**—**	6,234
		6,247	13,190
Current Assets			
Inventories		**7,698**	12,312
Trade and other receivables	9	**12,132**	15,635
Investments in securities		**12,630**	23,114
Pledged bank deposits		**4,530**	5,657
Bank balances and cash		**19,234**	13,088
		56,224	69,806
Current Liabilities			
Trade and other payables	10	**11,492**	15,621
Amount due to a related company		**500**	144
Obligation under a finance lease — due within one year		**95**	—
Borrowings		**5,099**	7,784
		17,186	23,549
Net Current Assets		**39,038**	46,257
		45,285	59,447
Capital and Reserves			
Share capital	11	**7,124**	71,236
Reserves		**34,981**	(13,084)
		42,105	58,152
Minority Interests		**2,800**	1,165
Non-Current Liabilities			
Obligation under a finance lease — due after one year		**252**	—
Deferred taxation		**128**	130
		380	130
		45,285	59,447

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	Share capital	Share premium	Capital reserve	Translation reserve	Accumulated Profits (deficit)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2002	71,230	97,888	2,099	—	(104,889)	66,328
Exchange difference arising on translation of overseas operations not recognised in the income statement	—	—	—	49	—	49
Exercise of share options	6	5	—	—	—	11
Net loss for the period	—	—	—	—	(6,455)	(6,455)
At 30th June 2002	71,236	97,893	2,099	49	(111,344)	59,933
Exchange difference arising on translation of overseas operations and net gain not recognised in the income statement	—	—	—	176	—	176
Net loss for the period	—	—	—	—	(1,957)	(1,957)
At 31st December 2002	71,236	97,893	2,099	225	(113,301)	58,152
Exchange difference arising on translation of overseas operations not recognised in the income statement	—	—	—	(123)	—	(123)
Effect of Capital Reduction *(Note 11)*	(64,112)	—	—	—	64,112	—
Transfer of share premium *(Note 11)*	—	(97,893)	—	—	97,893	—
Net loss for the period	—	—	—	—	(15,924)	(15,924)
At 30th June 2003	7,124	—	2,099	102	32,780	42,105

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

	Six months ended	
	30th June 2003	30th June 2002
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**6,327**	(18,499)
Net cash from (used in) investing activities	**732**	(9,338)
Net cash (used in) from financing activities	**(2)**	36,066
Net increase in cash and cash equivalents	**7,057**	8,229
Cash and cash equivalents at beginning of the period	**7,078**	30,201
Cash and cash equivalents at end of the period	**14,135**	38,430
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**19,234**	38,430
Bank overdraft	**(5,099)**	—
	14,135	38,430

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practices No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

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

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. This change in accounting policy has had no material effect on the results for the current or prior accounting periods, except as described below. Accordingly, no prior period adjustment has been required.

The directors of the Group consider that it is impractical to assess the deferred tax effect of the underlying assets and liabilities of the toy manufacturing and distribution business, which was disposed of by the Group during the year ended 31st December 2002. Details of the disposal are set out in the 2002 annual financial statements of the Group.

3. SEGMENT INFORMATION

The enterprise's primary format for reporting segment information is business segments.

For the six months ended 30th June 2003

	Continuing operations		Discontinuing operation	
	Consumer products trading	Securities trading and investments	Restaurants operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
External Sales	29,521	10,002	16,601	56,124
Segment result	(974)	(5,561)	(6,911)	(13,446)
Unallocated other operating income				147
Unallocated other operating expenses				(2,559)
Loss from operations				(15,858)

For the six months ended 30th June 2002

	Continuing operation	Discontinuing operations		
	Securities trading and investments	Restaurants operation	Toy manufacturing business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
External Sales	—	3,146	34,340	37,486
Segment result	(37)	47	(3,305)	(3,295)
Unallocated other operating income				281
Unallocated other operating expenses				(1,367)
Loss from operations				(4,381)

4. LOSS FROM OPERATIONS

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

	Six months ended	
	30th June 2003	30th June 2002
	HK$'000	*HK$'000*
Depreciation and amortisation		
Property, plant and equipment	**986**	3,906
Goodwill (charged to other operating expenses)	**323**	26
Intangible assets (charged to other operating expenses)	**57**	309
Net unrealised holding loss on other investments (charged to other operating expenses)	**864**	—
Interest income	**(16)**	(133)

5. TAXATION

No provision for Hong Kong Profits Tax and tax in other jurisdictions has been made for the period as the Group has incurred tax loss for the six months ended 30th June 2003.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the period of HK$15,924,000 (six months ended 30th June 2002: HK$6,455,000) and on the weighted average number of 712,360,000 (six months ended 30th June 2002: number of 712,360,000) shares in issue during the period.

No diluted loss per share for the six months ended 30th June 2003 has been presented as there was no potential ordinary shares outstanding during the period.

For the six months ended 30th June 2002, no diluted loss per share has been presented as the effect of the exercise of the outstanding share options of the Company would result in a decrease in loss per share.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$394,000 on additions to office equipment and computers in subsidiaries incorporated in Singapore in order to improve their operating efficiency.

8. GOODWILL

During the period, the directors reviewed the carrying amount of goodwill of restaurant operations operated by subsidiaries with reference to the net selling price for disposal of these subsidiaries subsequent to the balance sheet date. An impairment loss of approximately HK$5,911,000, being the entire goodwill relating to these subsidiaries, has been identified and recognised in the consolidated income statement.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 60 days to its trade customers. Included in trade and other receivables are trade receivables of HK$8,325,000 (31st December 2002: HK$12,135,000) and their aged analysis is as follows:

	30th June 2003 *HK$'000*	31st December 2002 *HK$'000*
0 to 60 days	**5,536**	11,617
61 to 90 days	**1,322**	237
Over 90 days	**1,467**	281
	8,325	12,135

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$4,718,000 (31st December 2002: HK$9,777,000) and their aged analysis is as follows:

	30th June 2003 *HK$'000*	31st December 2002 *HK$'000*
0 to 60 days	**2,660**	7,901
61 to 90 days	**1,384**	910
Over 90 days	**674**	966
	4,718	9,777

11. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each at 1st January 2003	**5,000,000,000**	500,000
Subdivision of each unissued share into 10 shares of HK$0.01 each	**45,000,000,000**	—
Ordinary shares of HK$0.01 each at 30th June 2003	**50,000,000,000**	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1st January 2003	**712,360,000**	71,236
Capital reduction *(note)*	**—**	(64,112)
Ordinary shares of HK$0.01 at 30th June 2003	**712,360,000**	7,124

Pursuant to resolutions passed by the shareholders of the Company in a special general meeting held on 22nd May 2003, the Company carried out the following capital reorganisation ("Capital Reorganisation"):

(a) Nominal value of every issued and unissued share was reduced from HK$0.1 to HK$0.01 ("Capital Reduction");

(b) The authorised share capital of the Company was increased from 5,000,000,000 shares to 50,000,000,000 shares by the creation of an additional 45,000,000,000 ordinary shares of HK$0.01 each;

(c) The entire amount in the share premium account of the Company at 31st December 2002 was cancelled ("Share Premium Reduction");

(d) The credit arising from the Capital Reduction and Share Premium Reduction was transferred to the contributed surplus account of the Company and HK$162,005,000 in the contributed surplus account was applied against the accumulated losses of the Company.

Details of the Capital Reorganisation were set out in the circular to the Company dated 5th May 2003.

12. POST BALANCE SHEET EVENT

On 22nd July 2003, the Group entered into an agreement to dispose of its entire interests in a subsidiary, Masindo International Limited ("Masindo"), which carried out all of the Group's restaurants operation. The disposal has been completed on 5th August 2003, on which date control of Masindo was passed to the acquirer. Details of the disposal are set out in the circular of the Company dated 6th August 2003.

INDEPENDENT REVIEW REPORT

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Deloitte Touche Tohmatsu

To the Board of Directors of Capital Prosper Limited
(Formerly Rockapetta Holdings Limited)
(incorporated in Bermuda with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 1 to 9.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. As review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2003.

Without modifying our review conclusion, we draw to your attention that the comparative condensed income statement for the six months ended 30th June, 2002 and the comparative condensed cash flow statement and statement of changes in equity for the six months ended 30th June, 2002 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 25th September, 2003

INTERIM DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30th June 2003. (2002: Nil)

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK$56.1 million for the six months ended 30th June 2003, representing an increase of 49.6% from approximately HK$37.5 million for the corresponding period in the last year. Compared with last period, the turnover generated from the toy manufacturing and distribution decreased by approximately HK$34.3 million due to the disposal of these businesses, while the turnover generated from distribution of wines products, and securities trading increased by approximately HK$29.5 million and HK$10 million respectively.

During the period, the outbreak of the Iraq War and Severe Acute Respiratory Syndrome ("SARS") made the business environment of restaurant operations, consumer products distribution and the securities investment difficult. As a result, the Group recorded a net loss of approximately HK$15.9 million for the six months ended 30th June 2003 compared to a net loss of approximately HK$6.5 million in last period.

LIQUIDITY AND FINANCIAL RESOURCES

The cash balance of the Group increased by 46.6% from approximately HK$13.1 million at 31st December 2002 to approximately HK$19.2 million at 30th June 2003, and the Group's total bank borrowings decreased from approximately HK$7.8 million as at 31st December 2002 to approximately HK$5.1 million as at 30th June 2003. The gearing ratio of the Group, expressed as the percentage of the Group's total bank borrowings over the shareholders' fund of approximately HK$42.1 million was decreased from 13.4% to 12.1%.

All bank borrowings were denominated in Singapore dollars and were on a floating rate basis at short-term inter-bank offer rate and were repayable within one year.

The Group currently earns revenue and incurs expenses mainly in Hong Kong dollars and Singapore dollars. The Group's borrowings and bank and cash balances are also denominated in Hong Kong dollars and Singapore dollars. The Group will conduct periodic review of its exposure to foreign exchange risk.

BUSINESS REVIEW

Distribution business

Food and beverages distribution continues to be one of the core businesses of the Group. During the period under review, consumer spending and confidence throughout the region continued to deteriorate. The outbreak of the Iraq War and Severe Acute Respiratory Syndrome ("SARS") further worsened the situation. As such, the performance of the Group's distribution business was far less than satisfactory.

In particular, and notwithstanding the various measures taken throughout the regions in successfully controlling the spread of SARS, the prospects of restaurant operations in Singapore, where the Group's Brewerkz microbrewery restaurant and Cafe Iguana bar restaurant operated, continued to look bleak in view of the general slowdown in the growth of the local catering industry. Accordingly and as previously announced, these operations were disposed of at a loss via the disposal of the Group's subsidiary, Masindo International Limited in August 2003 so as to minimize further losses on the Group.

As for the operation of another of the Group's distribution businesses, namely that of sourcing, distributing and retailing of wines and spirits carried on by the Group's subsidiaries in Singapore, Crystal Wines & Spirits Pte Ltd., whilst remaining stable and with operating loss kept at a minimal level, the Board will nevertheless continue to review and closely monitor its performance during the anticipated difficult times ahead.

Securities trading and investment

Whilst, throughout the period under review, the stock markets remained stagnant, both in terms of trading volume and turnover, the Group's business in trading and making investment in securities, in particular in certain under-appreciated securities for short to medium term, remained relatively stable. With the recent improvement in market sentiment, the Group is hopeful that the securities trading business of the Group will contribute towards expanding the Group's income base in the near future.

Prospects

Despite recent signs of up-turn in investors' and consumers' confidence and in the local economy generally, the Group will continue to focus on measures to control operating expenses, retain customer loyalty, reinvigorate current business portfolio, stay ahead of competition, institute effective and efficient management with appropriate incentives, so as to achieve profitable growth.

Following the completion of the reorganisation of the share capital of the Company in May 2003, whereby the par value of shares in the Company was reduced, the flexibility in future pricing of any new issue of shares in the Company have been greatly improved. Thus, going forward, with improved ability to access equity financing, coupled with the Group's experience in areas of retail operations and distribution of consumer products, the Group will continue to explore opportunities in enhancing shareholders' value by identifying potential investment projects with synergetic values with other undertakings of the Group, and if thought fit, to expand into retail operations and distribution of consumer products other than those related to food and beverages.

CONTINGENT LIABILITIES

The Group has the following litigation as at 30th June 2003:

On 8th July 2002, a winding-up petition was filed by Mr. Kwok Chin Wong, a former director of the Company, against RIC Trading Limited (formerly known as "Rockapetta Industrial Company Limited"), in relation to his claim against RIC Trading Limited for the outstanding loan and interest due to him of approximately HK$52 million. RIC Trading Limited is a wholly owned subsidiary of Rockapetta Investment Limited, which was disposed of by the Group on 8th October 2002. The directors, having taken legal advice, are of the opinion that following the disposal of the subsidiary, the Group is unlikely to have any material adverse financial impact on its financial position due to this winding-up petition.

On 28th August 2002, the Company issued a writ of summons against Mr. Kwok Chin Wing and Mr. Yiu Kui Leung, the former directors of the Company, regarding the breach of their fiduciary duties as directors for the payments of HK$25 million to Mr. Kwok Chin Wing in March 2000. Having further assessed all available documents and other evidence regarding the circumstances under which these payments were made, the directors, under advice from legal counsel, have since discontinued the claims against Mr. Kwok Chin Wing and Mr. Yiu Kui Leung under a full settlement covering the subject matter of the claims as well as legal costs made between the Company and these individuals in August 2003. Hence the directors are of the view that these claims, which have now been settled, will not result in any material adverse financial impact on the Company's financial position.

PLEDGE OF ASSETS

The following assets of the Group were pledged to secure banking facilities and securities margin facilities granted to the Group:

	THE GROUP	
	30th June	31st December
	2003	2002
	HK$'000	*HK$'000*
Investment in securities	**1,159**	7,603
Bank deposits	**4,530**	5,657
	5,689	13,260

EMPLOYEE

As at 30th June 2003, the Group had approximately 144 employees in Hong Kong and Singapore.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries and sales commission, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. Share options may be granted as a recognition of their contribution and an incentive to motivate them.

DIRECTORS' INTERESTS IN SHARES OR SHARE OPTIONS

As at 30th June 2003, none of the directors or chief executives of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDER

As at 30th June 2003, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Number of Shares Held	%
Charm Management Limited *(Note 1)*	201,000,000	28.22
Capital Strategic Investment (B.V.I.) Limited *(Note 1)*	201,000,000	28.22
Capital Strategic Investment Limited *(Note1)*	201,000,000	28.22
Goodrich Holdings Limited *(Note 2)*	39,000,000	5.47
Mr. Kok Kum Yue *(Note 2)*	39,000,000	5.47

Notes:

1. The 201,000,000 shares held by Charm Management Limited, a wholly owned subsidiary of Capital Strategic Investment (B.V.I.) Limited, which is a wholly owned subsidiary of Capital Strategic Investment Limited.

2. Goodrich Holdings Limited, a corporation beneficially owned by Mr. Kok Kum Yue.

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2003.

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

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

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th June 2003, in compliance with the Code of Best Practice stipulated in Appendix 14 to the Listing Rules, except the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accountance with the Company's Bye-law.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Choo Yeow Ming
Executive Chairman

Hong Kong, 25th September 2003