

# Chairman's Statement

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

## BUSINESS REVIEW AND PROSPECTS

### SUCCESSFUL LISTING

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

### BUSINESS PERFORMANCE AND ANALYSIS

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

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

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

### MAJOR PROJECTS OF THE GROUP

#### *Dalian Asia Pacific Finance Centre*

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

#### *Gao Er Ji Road Project*

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

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## *Golden Pebble Beach Project*

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

## *Energy Development Project*

During the year, apart from its property development business, the Group also actively looked for new drivers for future growth, capturing every golden opportunity to develop quality projects in order to further diversify its business in the PRC. As there is huge market potential in coal gas and power generation in northern PRC, the management sees new opportunities to expand the Group's scope of business and broaden its income streams. Therefore on 15 November 2002, the Group's associate, Bekwin International Ltd, entered into a memorandum of understanding to form a joint venture to acquire the entire business, assets and liabilities of Beijing Bluesky Technology Co., Ltd. ("Beijing Bluesky") at a total consideration of RMB8,000,000, which will be financed by internally generated resources. Upon completion, the Group will hold 29% of Beijing Bluesky.

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

## **FINANCIAL REVIEW**

### **NET ASSETS**

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

### **LIQUIDITY AND FINANCIAL RESOURCES**

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

### **CHARGES ON ASSETS**

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

## **TREASURY POLICIES**

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

## **CONTINGENT LIABILITIES**

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

## **USE OF PROCEEDS OF NEW ISSUE**

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

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

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

## **COMMITMENT**

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

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's foreign exchange exposure is therefore minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollars to the United States dollars remains in effect.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 March 2003, the Group employed approximately 54 full time staff in the PRC and Hong Kong. The Group remunerates its employees based on their performance, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

## **CONCLUSION**

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

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

**Leung Ngai Man**  
*Chairman*

Hong Kong, 29 July 2003