

12. Share capital

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

13. Operating lease commitments

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

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

14. Related party transactions

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

MAJOR PROJECTS AND PROSPECTS OF THE GROUP

Investment Properties

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

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



Energy Development Projects

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

LNG development and transportation in Indonesia and China

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

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

Sales and marketing distribution setup in Northern China

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

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

Other business development

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

