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.

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).

CHAIRMAN'S STATEMENT

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