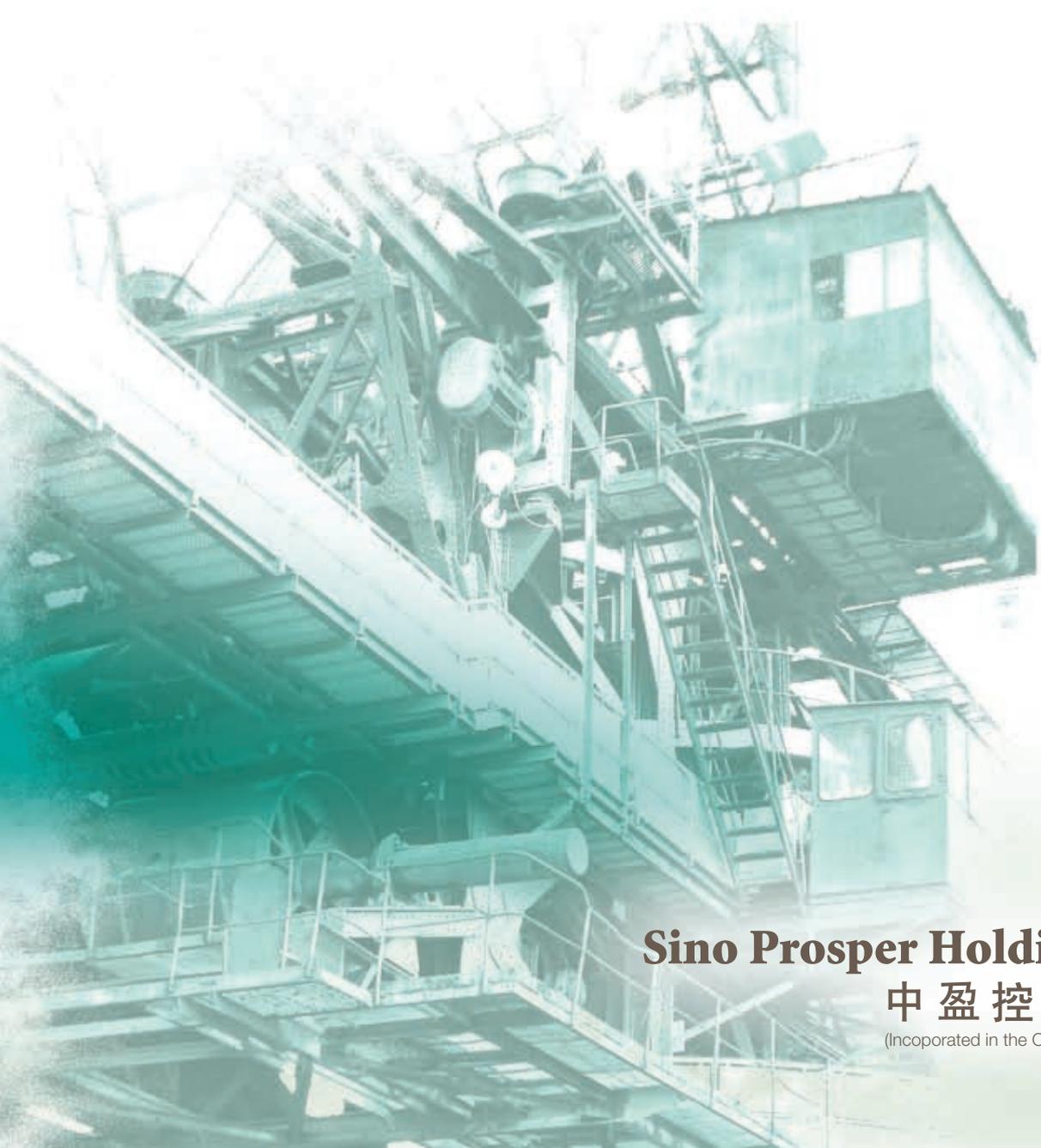


# SINO PROSPER

HOLDINGS LIMITED  
INTERIM REPORT 2008



**Sino Prosper Holdings Limited**  
**中盈控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 766)

## INTERIM RESULTS

The Board of Directors (the “Board”) of Sino Prosper Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2008. These unaudited interim results have been reviewed by the Company’s Audit Committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$’000	HK\$’000
Revenue	2	10,391	66,789
Cost of sales		<u>(10,140)</u>	<u>(66,549)</u>
Gross profit		251	240
Other income and gains		5,645	2,317
Administrative expenses		(8,901)	(14,964)
Finance costs		<u>(20)</u>	<u>(20)</u>
Loss before tax		(3,025)	(12,427)
Income tax expense	3	<u>—</u>	<u>—</u>
<b>Loss for the period</b>	4	<b><u>(3,025)</u></b>	<b><u>(12,427)</u></b>
Attributable to:			
Equity holders of the Company		(2,340)	(12,150)
Minority interests		<u>(685)</u>	<u>(277)</u>
		<b><u>(3,025)</u></b>	<b><u>(12,427)</u></b>
<b>Loss per share for loss attributable to equity holders of the Company for the period</b>	6		
Basic and diluted		<b><u>(0.18 cents)</u></b>	<b><u>(0.95 cents)</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	7	<u>890</u>	<u>988</u>
<b>Current assets</b>			
Trade and other receivables	8	76,174	22,703
Amounts due from minority shareholders		3,439	3,548
Bank balances and cash		<u>219,060</u>	<u>270,413</u>
		<b>298,673</b>	<b>296,664</b>
<b>Current liabilities</b>			
Trade and other payables	9	26,914	25,389
Obligation under a hire-purchase contract		<u>186</u>	<u>186</u>
		<b>27,100</b>	<b>25,575</b>
<b>Net current assets</b>		<u>271,573</u>	<u>271,089</u>
<b>Total assets less current liabilities</b>		<u>272,463</u>	<u>272,077</u>
<b>Non-current liabilities</b>			
Obligation under a hire-purchase contract		<u>31</u>	<u>124</u>
<b>Net assets</b>		<u><b>272,432</b></u>	<u><b>271,953</b></u>
<b>Capital and reserves</b>			
Share capital	10	12,862	12,862
Share premium and reserves		<u>258,790</u>	<u>257,586</u>
Equity attributable to equity holders of the Company		271,652	270,448
Minority interests		<u>780</u>	<u>1,505</u>
<b>Total equity</b>		<u><b>272,432</b></u>	<u><b>271,953</b></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(52,212)	(11,098)
Net cash generated by/(used in) investing activities	929	(411)
Net cash generated by/(used in) financing activities	<u>(113)</u>	<u>7,786</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(51,396)	(3,723)
Cash and cash equivalents at the beginning of the period	270,413	258,960
Effect of foreign exchange rate changes	<u>43</u>	<u>(67)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>219,060</u></u>	<u><u>255,170</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u><u>219,060</u></u>	<u><u>255,170</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Translation reserve	Accumulated loss	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2007 (Audited)	12,742	209,815	-	61,115	12,640	2,939	(36,147)	250,362	1,515	264,619
Exchange differences arising on translation of foreign operations (Unaudited)	-	-	-	-	-	(45)	-	(45)	(24)	(69)
Grant of share options (Unaudited)	-	-	-	260	-	-	-	260	-	260
Placing of warrants (Unaudited)	-	-	2,440	-	-	-	-	2,440	-	2,440
Issue of ordinary shares upon exercise of share options (Unaudited)	120	5,340	-	-	-	-	-	5,340	-	5,460
Transfer of reserves upon exercise of share options (Unaudited)	-	120	-	(120)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	-	-	(12,150)	(12,150)	(277)	(12,427)
As at 30 September 2007 (Unaudited)	<u>12,862</u>	<u>215,275</u>	<u>2,440</u>	<u>61,255</u>	<u>12,640</u>	<u>2,894</u>	<u>(48,297)</u>	<u>246,207</u>	<u>1,214</u>	<u>260,283</u>

	Attributable to equity holders of the Company									
	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Translation reserve	Accumulated loss	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2008 (Audited)	12,862	215,275	2,440	61,495	12,640	29,281	(63,545)	257,586	1,505	271,953
Exchange differences arising on translation of foreign operations (Unaudited)	-	-	-	-	-	2,584	-	2,584	(40)	2,544
Grant of share options (Unaudited)	-	-	-	960	-	-	-	960	-	960
Loss for the period (Unaudited)	-	-	-	-	-	-	(2,340)	(2,340)	(685)	(3,025)
As at 30 September 2008 (Unaudited)	<u>12,862</u>	<u>215,275</u>	<u>2,440</u>	<u>62,455</u>	<u>12,640</u>	<u>31,865</u>	<u>(65,885)</u>	<u>258,790</u>	<u>780</u>	<u>272,432</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKAS and Interpretations, Hong Kong Financial Reporting Standards (collectively, the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Saved for those new HKFRSs adopted during the period as set out below, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent as those used in the annual financial statements for the year ended 31 March 2008.

HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRS”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008. The adoption of these new HKFRSs has no material effect on how the Group’s results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share Based Payment Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – INT 16	Hedges of a Net Investment In a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008.

## 2. Revenue and segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

### Business segments

Six months ended 30 September 2008

	Energy & natural resources (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>REVENUE</b>			
External sales	9,534	857	10,391
<b>RESULTS</b>			
Segment results	(76)	(580)	(656)
Unallocated income and gains			5,642
Unallocated corporate expenses			(7,991)
Finance costs			(20)
Loss before tax			(3,025)
Income tax expense			—
Loss for the period			(3,025)

Six months ended 30 September 2007

	Energy & natural resources (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>REVENUE</b>		
External sales	66,789	66,789
<b>RESULTS</b>		
Segment results	(1,355)	(1,355)
Unallocated income and gains		2,317
Unallocated corporate expenses		(13,369)
Finance costs		(20)
Loss before tax		(12,427)
Income tax expense		—
Loss for the period		(12,427)

### Geographical segments

	People's Republic of China ("PRC") Six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue from external customers	10,391	66,789

### 3. Income tax expense

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2007: 17.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits derived from or arising in Hong Kong for the periods ended 30 September 2007 and 2008.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (six months ended 30 September 2007: 33%) for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for PRC Enterprise Income Tax has been made as there were no assessable profits generated from the Group's PRC operation during the periods ended 30 September 2007 and 2008.

No deferred tax assets and liabilities are recognised in this unaudited condensed consolidated financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 30 September 2007 and 2008.

### 4. Loss for the period

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Employee benefits expense		
– Directors' remuneration	1,818	1,824
– Other staff costs (excluding directors' emoluments):		
– Salaries and other benefits	1,499	1,783
– Retirement benefits schemes contributions	12	70
– Equity-settled share-based payments	–	–
	<u>3,329</u>	<u>3,677</u>
Depreciation for property, plant and equipment		
– Owned assets	144	114
– Leased assets	–	98
	<u>144</u>	<u>212</u>
Share options granted to consultants	<u>960</u>	<u>260</u>

**5. Interim dividend**

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: Nil).

**6. Loss per share for loss attributable to equity holders of the Company for the period**

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2008 (Unaudited)	2007 (Unaudited)
Loss for the period attributable to equity holders of the Company (HK\$)	<u>(2,340,000)</u>	<u>(12,150,000)</u>
Weighted average number of ordinary shares in issue	1,286,163,158	1,281,441,847
Basic and diluted loss per share (HK cents per share)	<u>(0.18)</u>	<u>(0.95)</u>

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

**7. Property, plant and equipment**

Movements of property, plant and equipment for the six months ended 30 September 2008:

	(Unaudited) HK\$'000
Carrying amount as at 1 April 2008	988
Additions	29
Depreciation	(144)
Exchange adjustments	<u>17</u>
Carrying amount as at 30 September 2008	<u>890</u>

## 8. Trade and other receivables

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (audited) HK\$'000
Trade receivables	325	4,064
Prepayments, deposits and other receivables	<u>75,849</u>	<u>18,639</u>
	<u><u>76,174</u></u>	<u><u>22,703</u></u>

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The following is an ageing analysis of trade receivables at the balance sheet date:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (audited) HK\$'000
0 – 90 days	325	–
Over 90 days – 1 year	–	–
Over 1 year	–	4,064
	<u><u>–</u></u>	<u><u>4,064</u></u>

## 9. Trade and other payables

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (audited) HK\$'000
Trade payables	854	228
Other payables and accruals	<u>26,060</u>	<u>25,161</u>
	<u><u>26,914</u></u>	<u><u>25,389</u></u>

The following is an ageing analysis of trade payables at the balance sheet date:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (audited) HK\$'000
0 – 90 days	854	–
Over 90 days – 1 year	–	–
Over 1 year	–	228
	<u><u>–</u></u>	<u><u>228</u></u>

## 10. Share capital

	Number of shares	Amount HK\$
<b>Ordinary shares of HK\$0.01 each:</b>		
<b>Authorized:</b>		
Ordinary shares of HK\$0.01 each As at 31 March 2008 and 30 September 2008	<u>20,000,000,000</u>	<u>200,000,000</u>
<b>Issued and fully paid:</b>		
As at 1 April 2007	1,274,163,158	12,741,632
Exercise of share options (Note)	<u>12,000,000</u>	<u>120,000</u>
<b>As at 31 March 2008, 1 April 2008 and 30 September 2008</b>	<b><u>1,286,163,158</u></b>	<b><u>12,861,632</u></b>

Note: During the six months ended 30 September 2007, 12,000,000 ordinary shares of HK\$0.01 were issued pursuant to the exercise of share options during the period by a consultant according to terms of the share option scheme of the Company. An amount of HK\$1.00 was received from the option holder for the acceptance of the grant of these options.

## 11. Placing of new shares

On 19 September 2008, the Company announced that it had entered into the placing agreement dated 21 May 2008 (the "Placing Agreement"), which was supplemented by a few supplemental agreements, with a placing agent in relation to a placing of 257,230,000 shares at a price of HK\$0.125 per share.

On 15 October 2008, the Company announced that the Placing Agreement lapsed on 15 October 2008 and the Company entered into a new placing agreement (the "New Placing Agreement") on the same day in relation to a placing of 257,230,000 shares at a price of HK\$0.033 per share. The long stop date of the New Placing Agreement was extended to 28 February 2009 by an extension agreement dated 25 November 2008.

## 12. Operating lease commitments

As at 30 September 2008, the Group had commitments for future minimum leases payments under non-cancelable operating leases in respect of land and buildings which fall due as follows:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Within one year	1,141	1,297
In the second to fifth years inclusive	<u>73</u>	<u>625</u>
	<b><u>1,214</u></b>	<b><u>1,922</u></b>

### 13. Related party transactions

Save as disclosed in this interim report, the Group had the following related party transactions during the period:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Compensation to key management personnel</b>		
Short-term employee benefits	1,800	1,800
Post-employment benefits	18	24
	<u>1,818</u>	<u>1,824</u>

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 14. Litigation

On 21 May 2007, the Company received a letter from the legal advisors of Mr. Kan Che Kin, Billy Albert (“Mr. Kan”), a substantial shareholder of the Company as at 31 March 2007, indicating that they have been instructed by Mr. Kan to initiate proceedings to petition to wind up the Company (the “Petition”).

On 22 May 2007, the Company applied and successfully sought an injunction order (the “Injunction Order”) from the High Court of The Hong Kong Special Administrative Region (the “High Court”) against Mr. Kan which among other things, restrains Mr. Kan and his servants or agents or otherwise howsoever from presenting, filing or advertising any petition or taking any step for the winding up of the Company either in Hong Kong or in any part of the world. A summons dated 22 May 2007 under Order 29 of the Rules of High Court has been issued and filed with the High Court Registry on 23 May 2007 for the attendance by the Company and Mr. Kan of a hearing at the High Court on 30 May 2007 (the “Return Date”) at 9:30 am of an application made by the Company for an order that the Injunction Order do remain in force beyond the Return Date.

On 30 May 2007, the High Court has ordered (upon application by way of consent summons dated 29 May 2007 signed by the respective solicitors for the Company and Mr. Kan) that among other things, (i) the Injunction Order do remain in force until otherwise varied or discharged by a further order of the High Court and (ii) the hearing of the summons filed by the Company on 23 May 2007 be adjourned to another date to be fixed.

On 22 June 2007, the Company received a letter from the legal advisors of Mr. Kan proposing a mutual stand still.

On 29 June 2007, the Company and Mr. Kan agreed the proposed mutual stand still that, each side is at liberty to give one month's notice to the other side and, upon expiry of the notice, proceed to take steps for filing of the documents (i.e. for the Company: the statement of claim/for Mr. Kan: his affirmation). Each side will, upon request, provide necessary confirmation of no objection to the filing out of time of such documents. Thereafter, parties would proceed with the action in manner as they see fit.

As at 30 September 2008, Mr. Kan was not recorded as a substantial shareholder of the Company. As of the date of approval of this unaudited condensed consolidated financial statements, neither the Company nor the legal advisors of the Company receive any notice from Mr. Kan or his legal advisors or aware of any such notice being sent by Mr. Kan or his legal advisors. The Injunction Order remains in force as of the date of approval of this unaudited condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2008, the Group recorded turnover of Nil from the sale of copper concentrate powder (six months ended 30 September 2007: approximately HK\$66,789,000), approximately HK\$9,534,000 from the sale of steel, being ferrous products (six months ended 30 September 2007: Nil) and approximately HK\$857,000 from sale of chemicals (six months ended 30 September 2007: Nil). For the six months period ended 30 September 2008, the Group's net loss attributable to shareholders was approximately HK\$2,340,000 (six months ended 30 September 2007: approximately HK\$12,150,000). The decrease in net loss attributable to shareholders was mainly due to the significant decrease in legal and professional fee from approximately HK\$7.3 million to approximately 2.2 million and notable increase in gain on foreign exchange from approximately HK\$0.2 million to approximately HK\$4.5 million for the period.

The Group has been transforming to focus its development on energy and natural resources businesses. The following sets out briefly the progress of these projects, which the Group has been working on.

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

CNPC, a 95%-owned subsidiary of the Group, has been established with the approval of the Ministry of Commerce of the PRC and has obtained a business licence granted by the Guangdong Administration for Industry and Commerce in 2007. CNPC is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The business of wholesale of fuel oil had already commenced in 2008. CNPC has also started its business of sale of chemicals for the six months ended 30 September 2008. At its early stage of development, CNPC was regarded as a small-scale tax-payer (小規模納稅人) for the purpose of the value-added tax ("VAT"), which imposed difficulties on CNPC to solicit businesses from the potential customers and carry on its business to the original planned scale. Following CNPC's application for changing its VAT tax-payer status from small-scale tax-payer to general tax-payer (一般納稅人), as notified by the local tax authority in December 2008, CNPC was officially accredited the status of general tax-payer. The Group will continue to identify potential suppliers and customers to provide new impetus for its business.

## **2. Indonesia-Bitumen Joint Venture Extraction Project**

P.T. Sino Prosper Indocarbon (“Indocarbon”), a 65%-owned subsidiary of the Group, has been actively engaged in mineral resources exploration project in Indonesia. Indocarbon owns the right to carry out general exploration in Bitumen Mines covering a total of 22,076 hectares of land in North Buton, Indonesia, and has been granted four licences by the Government of the North Buton Administrative Region to conduct regional detailed exploration work within the exploratory area in 2007. These licences are valid for three years from the date of issue and can be extended for another two years upon expiry. During the current period, Indocarbon entered into an agreement with a consulting company for designing a plan for the next stage of exploration within the exploratory area of North Buton Bitumen Mine. As the recent international oil prices have dropped substantially, the Company will adjust the exploration plan based on a prudent fiscal policy and the prevailing market condition.

## **3. Hainan Tairui Mining Development Company Limited (“Hainan Tairui”)**

Hainan Tairui, a 95%-owned subsidiary of the Company, has the requisite licence for processing of minerals and for the mining, smelting as well as the sales of ferrous and non-ferrous products in the PRC. In 2007, Hainan Tairui set up a branch in Yunnan, the PRC which was granted a licence to engage the sale of ferrous and non-ferrous products. The Yunnan Branch has been engaged in the trading of copper concentrate powder since its establishment. Since late 2007, the Group encountered some difficulties in sourcing copper concentrate powder because of certain environmental protection upgrading requirements imposed on the sole supplier of copper concentrate powder of Hainan Tairui. Hainan Tairui was principally engaged in trading and sale of the steel products for the six months ended 30 September 2008. In addition to the trading and sale of the steel products, the Company expects that the said environmental upgrading work of the sole supplier would be completed in the first half of 2009, depending on the then market condition, and the business of trading of copper concentrate powder would gradually resume.

## **4. Very Substantial Acquisition and Connected Transaction**

On 10 June 2008, Sino Prosper Minerals Investment Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Mr. Leung Ngai Man, an executive Director, for the acquisition (the “Acquisition”) of a company (the “Target BVI”) and all obligations, liabilities and debts owing or incurred by Target BVI to Mr. Leung on or at any time prior to completion of the acquisition agreement at a total consideration of RMB230 million. The target BVI owns a 100% interest in a company incorporated in Hong Kong which in turn owns a 100% equity interest in a wholly foreign-owned enterprise (the “WFOE”) in the PRC. The WFOE currently holds a business licence with its business scope covering the provision of technical consultation, among others, of exploration and exploitation of industrial mines. The WFOE has entered into a purchase agreement to acquire from an independent third party the exploitation right to a mine located at Wafang Village, Tougou Town, Chengde County, Chengde City, the exploration right to another mine located at Sanjia Village, Chengde County, Chengde City and the related processing plants, at a total consideration of RMB90 million. The predominant mineral in these two mines is iron. The amount of iron resources is estimated on a preliminary basis to be approximately not less than 90 million tons. Based on the preliminary estimate made by an independent valuer, the expected value of the projects under the name of the WFOE will not be less than RMB370 million.

The Acquisition constitutes a connection transaction and a very substantial acquisition of the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively. Accordingly, the agreement for the Acquisition and the transactions contemplated thereunder are subject to the approval of independent shareholders at the forthcoming extraordinary general meeting.

## OUTLOOK AND NEW DEVELOPMENTS

With the recent global financial crisis raging across the globe and the international energy and resources prices fluctuating within a wide range, the Group will continue to take a prudent yet proactive approach by focusing on identifying opportunities to invest in energy and resources projects. The Group may also have to make appropriate changes to its operational plans in response to the fluctuating market conditions.

China's long-term economic development is dependent upon the stable supply of energy and raw materials. The Board believes that investment and acquisition projects will diversify the Group's business portfolio. This will facilitate the Group's growth and profitability in the future, which are in line with the Group's long-term development and in the overall interest of shareholders.

## FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2008, the Group had bank balances and cash of approximately HK\$219 million (31 March 2008: approximately HK\$270 million). Its gearing ratio calculated as a ratio of debt to equity was 0.01% (31 March 2008: 0.04%). Net current assets totalled HK\$299 million (31 March 2008: HK\$297 million) and the current ratio was maintained at a level of approximately 11.0 (31 March 2008: approximately 11.6).

## CAPITAL COMMITMENTS

The Group had the following capital commitments as at 30 September 2008 and 31 March 2008:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Authorised and contracted for:		
Acquisition of the land use right in the PRC	1,488	1,445
Investment in a joint venture company	<u>45,761</u>	<u>44,587</u>

## SEASONAL OR CYCLICAL FACTORS

The Group's business operations are not significantly affected by any seasonal or cyclical factors.

## FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 September 2008, the Group mainly operated in the PRC and the majority of the Group's transactions and balances as at and for the six months ended 30 September 2008 was denominated in RMB. All the sales and purchases for the six months ended 30 September 2008 were denominated in RMB, which is the functional currency of the operating units making the sales and purchases. The Directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2008, the Group employed 32 full-time employees in the PRC, Hong Kong and Indonesia. 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.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2008, 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 had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as 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 (the "Model Code") for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules were as follows:—

### (i) Interests and short positions in shares of the Company

	Number of ordinary shares (Note 1)	Approximate percentage of total issued shares (%)
<i>Executive Directors:</i>		
Leung Ngai Man	163,550,000 (L) (Note 2)	12.72
Wong Wa Tak	1,600,000 (L) (Note 3)	0.12

#### Notes:

1. The letter "L" represents the Director's long position in the shares of the Company.
2. These 163,550,000 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. Leung Ngai Man was deemed to be interested in the shares held by Climax Park Limited by virtue of the SFO.
3. These 1,600,000 shares were held and beneficially owned by Master Hill Development Ltd., a company incorporated in Hong Kong with 50% of its shareholdings held and beneficially owned by Wong Wa Tak. Wong Wa Tak was deemed to be interested in the shares held by Master Hill Development Ltd. by virtue of the SFO.

### (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

Save as disclosed under the heading "Share option scheme" below and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 30 September 2008, none of the Directors nor chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and 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 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, and "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in 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.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the interests or short positions of persons, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Number of ordinary share/ underlying share (Note 1)	Capacity and nature of interest	Approximate percentage of interests (%) (Note 2)
Climax Park Limited	163,550,000 (L)	Beneficial owner (Note 3)	12.72
Tsim Wing Kong	140,330,000 (L)	(Note 4)	10.91
CMEC International Trading Import & Export Co., Ltd.	80,000,000 (L)	Beneficial owner (Note 5)	6.22
China National Machinery & Equipment Import & Export Corporation	80,000,000 (L)	Interest of corporation controlled by the substantial shareholder (Note 5)	6.22
Kingston Finance Limited	92,000,000 (L)	Other (Note 6)	7.15
Chu Yuet Wah	92,000,000 (L)	Interest of corporation controlled by the substantial shareholder (Note 6)	7.15
Ma Siu Fong	92,000,000 (L)	Interest of corporation controlled by the substantial shareholder (Note 6)	7.15

Notes:

1. The letter "L" represents the entity's long position in the shares or underlying shares of the Company.
2. This percentage is calculated on the basis of 1,286,163,158 shares of the Company in issue as at 30 September 2008 but does not take into account of any shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 30 September 2008.

3. Climax Park Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Leung Ngai Man.
4. Such information was extracted from the individual substantial shareholder notice of Tsim Wing Kong filed on 21 August 2007 as shown on the website of the Stock Exchange. However, the capacity of which these 140,330,000 shares were held was not stated in such notice. According to the notice filed by Mr. Tsim, Ms. Tsim Chan Mee Yim, being his spouse, held the long position in 4,930,000 shares in the Company.
5. Climax Park Limited granted a call option to CMEC International Trading Import & Export Co., Ltd. on 19 July 2005, pursuant to which CMEC International Trading Import & Export Co., Ltd. may require Climax Park Limited to sell to it up to 80,000,000 shares. CMEC International Trading Import & Export Co., Ltd. is a company incorporated in the PRC and wholly owned by China National Machinery & Equipment Import & Export Corporation. Under the SFO, China National Machinery & Equipment Import & Export Corporation was deemed to be interested in the underlying shares of the Company under the call option. As at 30 September 2008, such call option had expired and lapsed with no further effect. However, the Company had not received any notice with regard to the cessation of its interest in the call option from CMEC International Trading Import & Export Co., Ltd. and China National Machinery & Equipment Import & Export Corporation.
6. These 92,000,000 shares represented the shares which Kingston Finance Limited has agreed to subscribe for pursuant to a placing under the placing agreement (“Placing Agreement”) entered into by the Company and the placing agent on 21 May 2008. The Placing Agreement lapsed on 15 October 2008. Chu Yuet Wah was deemed to be interested in such shares through her 51% interest in Kingston Finance Limited. Under the SFO, Ma Siu Fong was deemed to be interested in such shares through his 49% interest in Kingston Finance Limited.

Save as disclosed above, as at 30 September 2008, no person, other than the Directors and chief executive of the Company, had an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## **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 and any other share option scheme of the Company 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 an aggregate 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, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets 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 quotation sheets 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.

Movements in the share options during the six months ended 30 September 2008 were as follows:

Category/ Name of Directors	Date of grant	Exercise period	Exercise price per share	Number of share options			Outstanding and exercisable as at 30 September 2008
				Outstanding and exercisable as at 31 March 2008	Granted during the six months ended 30 September 2008	Exercised during the six months ended 30 September 2008	
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK\$0.410	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\$0.410	5,000,000	–	–	5,000,000
Master Hill Development Limited (Note (i))	29 November 2004	29 November 2004 to 28 November 2014	HK\$0.460	3,000,000	–	–	3,000,000
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK\$0.475	800,000	–	–	800,000
Mr. Cai Wei Lun	8 May 2006	8 May 2006 to 7 May 2016	HK\$1.460	3,400,000	–	–	3,400,000
<b>Directors</b>				<u>21,600,000</u>	–	–	<u>21,600,000</u>
<b>Employees</b>	8 May 2006	8 May 2006 to 7 May 2016	HK\$1.460	23,000,000	–	–	23,000,000
	1 September 2006	1 September 2006 to 31 August 2016	HK\$0.710	26,000,000	–	–	26,000,000
<b>Consultants</b>	23 March 2005	23 March 2005 to 22 March 2015	HK\$0.340	4,000,000	–	–	4,000,000
	1 September 2006	1 September 2006 to 31 August 2016	HK\$0.710	10,000,000	–	–	10,000,000
	4 September 2006	4 September 2006 to 3 September 2016	HK\$0.710	6,000,000	–	–	6,000,000
	1 June 2007	1 June 2007 to 31 May 2017	HK\$0.455	14,000,000	–	–	14,000,000
	17 March 2008	17 March 2008 to 16 March 2018	HK\$0.15	24,000,000	–	–	24,000,000
	5 May 2008	5 May 2008 to 4 May 2018	HK\$0.12	–	24,000,000	–	24,000,000
	6 May 2008	6 May 2008 to 5 May 2018	HK\$0.125	–	24,000,000	–	24,000,000
	14 May 2008	14 May 2008 to 13 May 2018	HK\$0.136	–	24,000,000	–	24,000,000
	15 May 2008	15 May 2008 to 14 May 2018	HK\$0.137	–	24,000,000	–	24,000,000
<b>Total</b>				<u>128,600,000</u>	<u>96,000,000</u>	<u>–</u>	<u>224,600,000</u>

Note (i) Master Hill Development Limited, a company incorporated in Hong Kong with 50% of its shareholding held and beneficially owned by Wong Wa Tak, an executive Director.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **MATERIAL ACQUISITIONS OR DISPOSALS**

Save as disclosed in this interim report, there were no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code 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 interim report.

## **CORPORATE GOVERNANCE**

During the six months ended 30 September 2008, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules on the Stock Exchange except the following:

### **(i) CODE PROVISION A.2.1**

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive officer of listed issuers should be separate and should not be performed by the same individual. The Chief Executive Officer ("CEO") of the Group has resigned with effect from 22 February 2008. Subsequent to 22 February 2008, the Company has not yet appointed any individual to fill in the post of chief executive officer and the responsibilities of the chief executive officer have been performed by the Chairman. To ensure compliance with the Code and an effective operation of the Board, the Board is actively seeking for an appropriate replacement of CEO.

### **(ii) CODE PROVISION A.4.1**

Pursuant to code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. However, independent non-executive Directors are not appointed for specific terms as required, but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the articles of association ("Articles") of the Company. In order to ensure compliance with the Code, the Company will arrange to fix the terms of offices of each of the independent non-executive Directors, subject to earlier determination and the re-election and rotational requirements in accordance with the Articles.

### **(iii) CODE PROVISION E.1.2**

Pursuant to code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting held on 26 September 2008 due to business matters. To ensure compliance with the Code, the Company will arrange to furnish all Directors with appropriate information on the general meetings and take all reasonable measures to arrange the schedule in such a cautious way that Directors and particularly the Chairman of the Board can confirm his attendance to the annual general meeting.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2008.

By Order of the Board  
**Sino Prosper Holdings Limited**  
**Leung Ngai Man**  
Chairman

Hong Kong, 24 December 2008

As at the date of this report, the Board comprises Mr. Leung Ngai Man, Mr. Yeung Kit, and Mr. Wong Wa Tak as executive directors, and Mr. Chan Sing Fai, Mr. Cai Wei Lun and Dr. Leung Wai Cheung as independent non-executive directors.