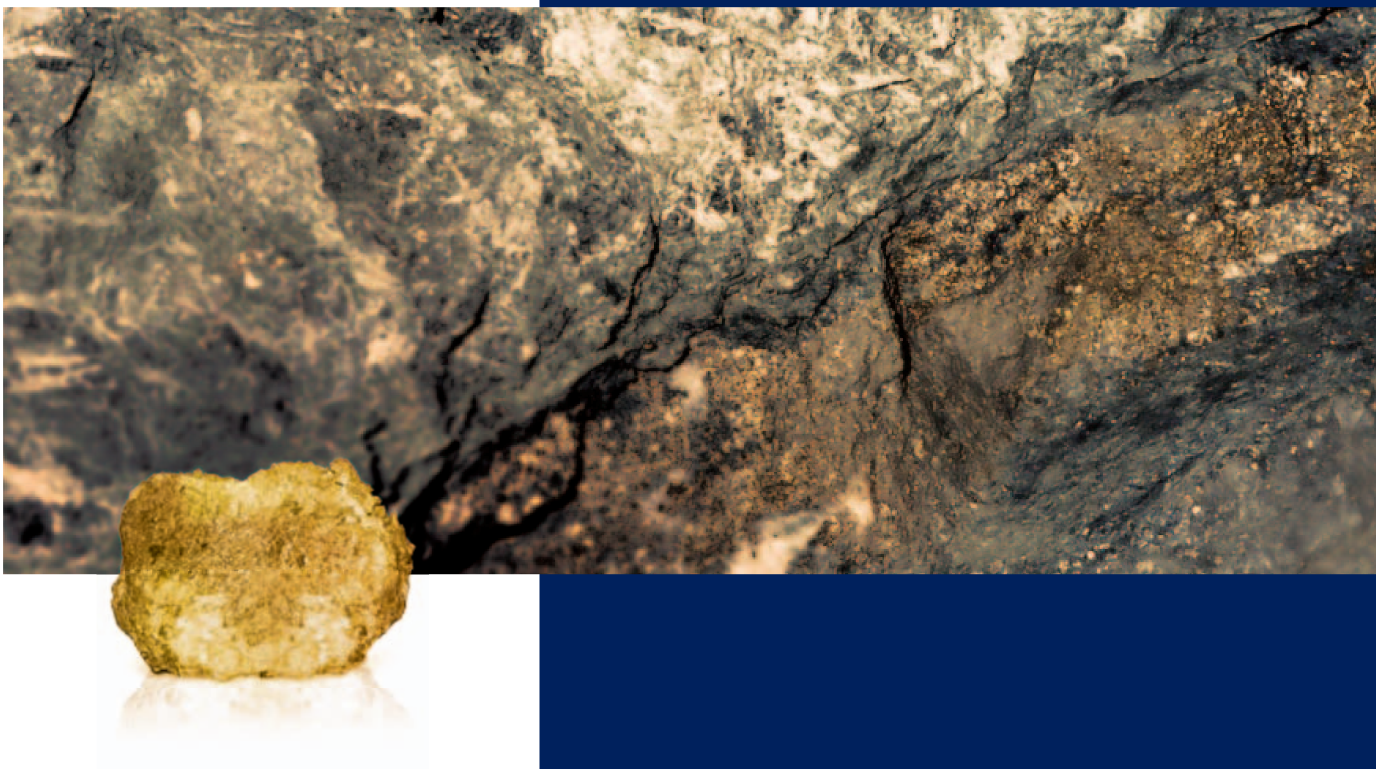
INTERIM REPORT
中期報告 2010



Sino Prosper State Gold Resources Holdings Limited
中盈國金資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

(*Stock Code* 股份代號 : *766*)

INTERIM RESULTS

The Board (the "Board") of Directors (the "Directors") of Sino Prosper State Gold Resources 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 2010. These unaudited interim results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 September 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Revenue	2	**29,790**	14,184
Cost of sales		**(29,818)**	(13,445)
Gross (loss)/profit		**(28)**	739
Other income and gains		**17,347**	584
General and administrative expenses		**(24,593)**	(7,442)
Loss on early redemption of promissory note		**(18,414)**	–
Finance costs		**(3,561)**	–
Loss before tax		**(29,249)**	(6,119)
Income tax	4	**–**	–
Loss for the period	5	**(29,249)**	(6,119)
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		**25,475**	(279)
Reclassification adjustments relating to foreign operations disposed of during the period		**384**	–
Other comprehensive income/(loss) for the period, net of tax		**25,859**	(279)
Total comprehensive loss for the period		**(3,390)**	(6,398)
Loss attributable to:			
Owners of the Company		**(28,556)**	(6,117)
Non-controlling interests		**(693)**	(2)
		(29,249)	(6,119)
Total comprehensive loss attributable to:			
Owners of the Company		**(8,560)**	(6,429)
Non-controlling interests		**5,170**	31
		(3,390)	(6,398)
Loss per share	7		
Basic and diluted (HK cents per share)		**(0.49)**	(0.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	8	**31,520**	1,956
Exploration and evaluation assets	8	**1,041,257**	1,021,072
Mining rights	8	**310,516**	–
		1,383,293	1,023,028
Current assets			
Inventories		**–**	3,294
Trade and other receivables	9	**20,960**	7,022
Amount due from a minority shareholder		**10**	22
Bank balances and cash		**400,914**	216,030
		421,884	226,368
Current liabilities			
Trade and other payables	10	**8,893**	26,121
Amount due to a minority shareholder		**17,173**	–
		26,066	26,121
Net current assets		**395,818**	200,247
Total assets less current liabilities		**1,779,111**	1,223,275
Non-current liabilities			
Convertible bonds	11	**–**	47,072
Promissory note	12	**–**	105,370
Deferred tax liabilities		**77,497**	–
		77,497	152,442
Net assets		**1,701,614**	1,070,833
Capital and reserves			
Share capital	13	**67,599**	26,621
Share premium and reserves		**1,466,614**	687,864
Equity attributable to owners of the Company		**1,534,213**	714,485
Non-controlling interests		**167,401**	356,348
Total equity		**1,701,614**	1,070,833

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in)/generated by operating activities	**(37,319)**	54,185
Net cash used in investing activities	**(197,989)**	(1,636)
Net cash generated by financing activities	**418,160**	16,076
NET INCREASE IN CASH AND CASH EQUIVALENTS	**182,852**	68,625
Cash and cash equivalents at the beginning of period	**216,030**	230,232
Effect of foreign exchange rate changes	**2,032**	(969)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**400,914**	297,888
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**400,914**	297,888

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Translation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2009 (Audited)	15,674	221,826	2,440	62,815	12,640	31,049	–	(73,309)	273,135	1,085	274,220
Loss for the period (Unaudited)	–	–	–	–	–	–	–	(6,117)	(6,117)	(2)	(6,119)
Other comprehensive income/(loss) for the period (Unaudited)	–	–	–	–	–	(312)	–	–	(312)	33	(279)
Total comprehensive income/(loss) for the period (Unaudited)	–	–	–	–	–	(312)	–	(6,117)	(6,429)	31	(6,398)
Non-controlling interests arising on acquisition of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	224,927	224,927
Recognition of equity component of convertible bonds (Unaudited)	–	–	–	–	–	–	10,528	–	10,528	–	10,528
Issue of ordinary shares under share option scheme (Unaudited)	1,440	16,200	–	(1,440)	–	–	–	–	16,200	–	16,200
Balance at 30 September 2009 (Unaudited)	17,114	238,026	2,440	61,375	12,640	30,737	10,528	(79,426)	293,434	226,043	519,477

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Translation reserve HK$'000	Convertible bonds equity reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2010 (Audited)	26,621	461,073	2,440	61,375	12,640	32,136	250,391	(132,191)	714,485	356,348	1,070,833
Loss for the period (Unaudited)	–	–	–	–	–	–	–	(28,556)	(28,556)	(693)	(29,249)
Other comprehensive income for the period (Unaudited)	–	–	–	–	–	19,996	–	–	19,996	5,863	25,859
Total comprehensive income/(loss) for the period (Unaudited)	–	–	–	–	–	19,996	–	(28,556)	(8,560)	5,170	(3,390)
Non-controlling interests arising on acquisition of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	67,886	67,886
Capital contribution from non-controlling interests in a subsidiary (Unaudited)	–	–	–	–	–	–	–	–	–	15,485	15,485
Issue of new shares (Unaudited)	28,880	519,840	–	–	–	–	–	–	548,720	–	548,720
Transaction costs attributable to issue of new shares (Unaudited)	–	(19,585)	–	–	–	–	–	–	(19,585)	–	(19,585)
Recognition of equity-settled share-based payments (Unaudited)	–	–	–	1,258	–	–	–	–	1,258	–	1,258
Conversion of convertible bonds (Unaudited)	12,098	286,250	–	–	–	–	(250,391)	–	47,957	–	47,957
Release upon disposal of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	16	16
Acquisition of non-controlling interests (Unaudited)	–	–	–	–	–	–	–	249,938	249,938	(277,504)	(27,566)
Release of reserve upon lapse of warrants (Unaudited)	–	–	(2,440)	–	–	–	–	2,440	–	–	–
Balance at 30 September 2010 (Unaudited)	67,599	1,247,578	–	62,633	12,640	52,132	–	91,631	1,534,213	167,401	1,701,614

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" and other relevant HKAS and Interpretations and 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"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with HKFRSs.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of these new and revised standards, amendments and interpretations has no significant impact on the results and financial positions of the Group.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures For First-Time Adopters[2]
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets)[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 January 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.

1. Basis of preparation and accounting policies *(Continued)*

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Group is in the process of making an assessment of the impact of the other new and revised standards, amendments and interpretations upon initial application. So far, it has concluded that the other new and revised standards, amendments and interpretations are unlikely to have significant impact on the Group's results of operations and financial position.

2. Revenue

The analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from sales of gold	**27,700**	2,746
Revenue from sales of fuel oil and chemicals	**2,090**	11,438
	29,790	14,184

3. Segment information

The chief operating decision maker ("CODM") reviews the Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

The CODM considers that the business of the Group is organized in one operating segment as investment in energy and natural resources (including precious metals) related projects in the People's Republic of China ("PRC") and other countries. Additional disclosure in relation to segment information is not presented as the CODM assesses the performance of the only operating segment identified based on the consistent information as disclosed in the condensed consolidated financial statements.

The total net segment loss is equivalent to total comprehensive loss for the period as shown in the condensed consolidated statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the condensed consolidated statement of financial position.

Total turnover and revenue as disclosed in note 2 above represented the revenue from external customers.

Revenue from major products and services

All of the Group's revenue was attributable to its operations in investment in energy and natural resources (including precious metals) related projects in the PRC and other countries.

4. Income tax

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2009: 16.5%) on the estimated assessable profit for the six months ended 30 September 2010. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the six months ended 30 September 2009 and 2010.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both periods). 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 operations during the six months ended 30 September 2009 and 2010.

5. Loss for the period

	Six months ended 30 September	
	2010 **(Unaudited)** **HK$'000**	2009 (Unaudited) HK$'000
Loss for the period has been arrived at after charging/(crediting):		
Finance costs:		
Effective interest on convertible bonds	**885**	–
Effective interest on promissory note	**2,676**	–
	3,561	–
Gain on disposal of subsidiaries	**(14,796)**	–
Depreciation for property, plant and equipment	**357**	130
Cost of inventories recognized as expenses	**29,818**	13,445
Loss on disposal of property, plant and equipment	**4**	–
Operating lease rentals in respect of:		
– Land and buildings	**1,441**	1,286
Employee benefits expense		
– Directors' remuneration	**5,018**	1,851
– Other staff costs (excluding Directors' emoluments):		
– Salaries and other benefits	**3,771**	1,198
– Contributions to retirement benefits schemes	**149**	60
– Equity-settled share-based payments	**543**	–
	9,481	3,109
Expense in relation to share options granted to consultants	**445**	–

6. Interim dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

7. Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	**28,556**	6,117

Number of shares

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,876,176**	1,606,541

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, outstanding warrants and convertible bonds since their exercise would have an anti-dilutive effect.

8. Capital expenditure

Six months ended 30 September 2010	**Property, plant and equipment (Unaudited)** HK'000	**Exploration and evaluation assets (Unaudited)** HK'000	**Mining rights (Unaudited)** HK'000
Net book amount at 1 April 2010	1,956	1,021,072	–
Additions	14,020	19	–
Acquired on acquisition of subsidiaries	16,013	–	306,584
Depreciation expense	(447)	–	–
Disposals	(364)	–	–
Eliminated on disposal of subsidiaries	(3)	–	–
Effect of foreign currency exchange differences	345	20,166	3,932
Net book amount at 30 September 2010	31,520	1,041,257	310,516

8. Capital expenditure *(Continued)*

Six months ended 30 September 2009	Property, plant and equipment (Unaudited) HK'000	Exploration and evaluation assets (Unaudited) HK'000	Mining rights (Unaudited) HK'000
Net book amount at 1 April 2009	733	–	–
Additions	1,513	–	–
Acquired on acquisition of subsidiaries	–	634,707	–
Depreciation expense	(130)	–	–
Effect of foreign currency exchange differences	3	–	–
Net book amount at 30 September 2009	2,119	634,707	–

Note:

Depreciation expense of approximately HK$357,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: HK$130,000) has been charged in general and administrative expenses. Depreciation of approximately HK$90,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil) has been capitalized in construction in progress.

9. Trade and other receivables

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
Trade receivables	**–**	1,142
Prepayments, deposits and other receivables	**20,960**	5,880
	20,960	7,022

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. Trade receivables are non-interest-bearing. The following is an aging analysis of net trade receivables at the end of the reporting period:

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
0 – 90 days	**–**	1,028
121 – 365 days	**–**	114
	–	1,142

10. Trade and other payables

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
Trade payables	–	181
Other payables and accruals	8,893	25,940
	8,893	26,121

The following is an aging analysis of the trade payables at the end of the reporting period:

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
0 – 90 days	–	181

11. Convertible bonds

The movement of the liability component of the convertible bonds for the period/year is set out below:

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
At the beginning of the period/year	47,072	–
Initial recognition	–	65,559
Interest expense	885	3,526
Conversion into shares during the period/year	(47,957)	(22,013)
At the end of the period/year	–	47,072

12. Promissory note

Under the terms of the promissory note, the promissory note with principal amount of RMB240,000,000 (equivalent to approximately HK$272,727,000) is unsecured, interest-bearing at 1.5% per annum and has a maturity period of 2 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company at its principal amount and accrued interest up to the redemption date. The promissory note was issued as part of the consideration to acquire exploration and evaluation assets, as detailed in note 33 (a) of the Group's annual financial statements for the year ended 31 March 2010, and was fair valued at initial recognition with an effective interest rate of 14.41% per annum.

During the six months ended 30 September 2010, the Company early repaid the promissory note with the principal amount of HK$125,000,000 and the accrued interests and incurred an early redemption loss of approximately HK$18,414,000. The amortized and imputed effective interest expenses of promissory note amounting to approximately HK$2,676,000 was charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010.

13. Share capital

Ordinary shares of HK$0.01 each:	Number of shares	Share capital HK$'000
Authorized:		
Ordinary shares of HK$0.01 each		
At 31 March 2010 and 30 September 2010	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2009	1,567,393,158	15,674
Issue of new shares (Note (i))	342,270,000	3,423
Exercise of share options (Note (ii))	144,000,000	1,440
Conversion of convertible bonds (Note (iii))	608,400,000	6,084
At 31 March 2010 and 1 April 2010	2,662,063,158	26,621
Issue of new shares (Note (iv))	2,888,000,000	28,880
Conversion of convertible bonds (Note (v))	1,209,781,813	12,098
At 30 September 2010	6,759,844,971	67,599

Notes:

(i) As part of the top-up placing arrangement, and pursuant to the subscription agreement dated 14 October 2009, the Company allotted and issued a total of 342,270,000 new shares at a subscription price of HK$0.25 each to Mr. Leung Ngai Man ("Mr. Leung"), an executive director and substantial shareholder of the Company on 23 October 2009, who sold in connection with the completion of the placing agreement 342,270,000 existing shares to independent placees at a placing price of HK$0.25 each (the "Top-up Placement"). The Company raised a sum of approximately HK$85,568,000 through the Top-up Placement and retained the net proceeds as general working capital of the Group and also to finance any possible acquisition of the Group in the future.

(ii) During the year ended 31 March 2010, 144,000,000 ordinary shares were issued upon the exercise of a total of 144,000,000 share options at exercise prices ranging from HK$0.05 to HK$0.15 per share, giving rise to aggregate net proceeds of HK$16,200,000.

(iii) During the year ended 31 March 2010, 608,400,000 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.075 per share.

(iv) Pursuant to the placing agreement dated 12 March 2010 (as amended by a supplemental placing agreement dated 23 March 2010), the Company allotted and issued a total of 2,888,000,000 new shares at a subscription price of HK$0.19 each to not less than six placees on 7 May 2010. In accordance with the terms of the placing agreement, Mr. Leung and Climax Park Limited (a company solely owned by Mr. Leung) have delivered a deed of lock-up undertakings to the placing agent on the terms and conditions as summarized in the Company's circular dated 26 March 2010 (see the section headed "Letter from the Board – The Placing Agreement – Lock-up Undertakings" in that circular). The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK$529.0 million. As at 30 September 2010, the net proceeds were mainly used for the following purposes: (i) approximately HK$167,045,000 (equivalent to approximately RMB147,000,000) for the Inner Mongolia Acquisition, of which RMB8,000,000 was contributed to 敖漢旗鑫瑞恩礦業有限責任公司 (the "PRC Company") as registered capital for the construction of the processing facilities and the exploration work; (ii) approximately HK$32,175,000 (equivalent to approximately RMB28,000,000) for the payment of the registered capital of the PRC Company, which was applied to the construction of the processing facilities and the exploration work; (iii) approximately RMB24,000,000 for the acquisition of the 27% equity interest in 黑龍江中誼偉業經貿有限公司 ("Zhongyi Weiye"); and (iv) approximately HK$10,350,000 (equivalent to approximately RMB9,030,000) for the payment of the registered capital of Zhongyi Weiye and the exploration work. The balance of the net proceeds is currently planned to be used for the general working capital of the Group and to finance any possible acquisition plan of the Group in the future.

(v) During the six months ended 30 September 2010, 1,209,781,813 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.075 per share.

14. Capital commitments

At 30 September 2010, the Group had the following commitments which were not provided for in the interim financial statements:

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
Contracted but not provided for:		
– Investment in a joint venture company	**39,771**	39,001
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	**40,818**	1,000
– Exploration and evaluation expenditures	**32,676**	659
	113,265	40,660

15. Operating lease commitments

At 30 September 2010, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
Within one year	**2,147**	2,399
In the second to fifth years inclusive	**222**	1,089
	2,369	3,488

16. Related party transactions

Save as disclosed elsewhere in this interim report, the Group entered into the following significant related party transactions during the six months ended 30 September 2010:

	Six months ended 30 September	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Compensation to key management personnel		
Short-term employee benefits	**4,720**	1,832
Post-employment benefits	**28**	19
Share-based payments	**270**	–
	5,018	1,851

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

17. Acquisition of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

Current period

On 29 June 2010, the Group completed the acquisition of 70% of the issued shares in Favour South Limited ("Favour South") and all the obligations, liabilities and debts owing or incurred by Favour South to the vendor, Mr. Hong Guang, an independent third party for a consideration of RMB147,000,000 (equivalent to approximately HK$167,045,000) before deductions set aside in accordance with the terms of the acquisition agreement. Favour South is a company incorporated in the British Virgin Islands and principally engaged in investment holding. The sole asset of Favour South is the entire issued capital of Great Surplus Investment Limited, which owns 70% of the registered and paid up capital of the PRC Company.

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value
	HK$'000
Mining rights	306,584
Deferred tax liabilities	(76,497)
Property, plant and equipment	16,013
Bank balances and cash	555
Prepayments, deposits and other receivables	6,848
Accruals and other payables	(6,554)
Due to a minority shareholder	(19,927)
Due to a shareholder	(3,123)
Non-controlling interests	(67,886)
	156,013

	Fair value
	HK$'000
Total consideration satisfied by:	
Cash consideration	159,136
Acquisition of shareholder's loan	(3,123)
	156,013
Net cash outflow arising on acquisition:	
Cash consideration paid	159,136
Bank balances and cash acquired	(555)
	158,581

Prior period

On 30 September 2009, the Group completed the acquisition of the entire issued share capital of Nice Think Group Limited ("Nice Think") which is wholly and beneficially owned by Mr. Leung and all obligations, liabilities and debts owing or incurred by Nice Think to Mr. Leung, at a total consideration of RMB360 million (equivalent to approximately HK$409.1 million).

Details of the acquisition of subsidiaries were disclosed in note 33(a) of the Group's annual financial statements for the year ended 31 March 2010.

17. Acquisition of subsidiaries and non-controlling interests *(Continued)*

(b) Acquisition of additional interest in a subsidiary

On 3 August 2010, the Group completed the acquisition of an additional 27% equity interest in Zhongyi Weiye for a purchase consideration of RMB24 million. The carrying amount of the non-controlling interests in Zhongyi Weiye on the date of acquisition was approximately HK$359,727,000. The Group recognized a decrease in non-controlling interests of approximately HK$277,504,000 and an increase in equity attributable to owners of the parent of approximately HK$249,938,000. The effect of changes in the ownership interest of Zhongyi Weiye on the equity attributable to owners of the Company during the period is summarized as follows:

	At 30 September 2010 (Unaudited) HK$'000
Carrying amount of non-controlling interests acquired	**277,504**
Consideration paid to non-controlling interests	**(27,566)**
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	**249,938**

Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the six months ended 30 September 2010:

	Six months ended 30 September 2010 (Unaudited) HK$'000
Total comprehensive loss for the period attributable to owners of the Company	**(8,560)**
Effect of transactions with non-controlling interests on changes in equity attributable to owners of the Company	**249,938**
	241,378

There were no transactions with non-controlling interests in 2009.

18. Disposal of subsidiaries

During the six months ended 30 September 2010, the Group disposed of 95% equity interest in 海南泰瑞礦產開發有限公司 and 100% equity interest in 廣州市高泓礦業技術咨詢有限公司 at consideration of RMB1,900,000 and RMB1 respectively.

Effect of disposal on the financial position of the Group:

Net liabilities disposed of:	HK$'000
Property, plant & equipment	3
Prepayment, deposits and other receivables	31
Bank balances and cash	352
Other payables and accruals	(13,407)
Non-controlling interests	16
	(13,005)
Released of translation reserve	384
Gain on disposal of subsidiaries	14,796
	2,175
Satisfied by:	
Cash consideration	2,175
Net cash inflow on disposal of subsidiaries:	
– Cash consideration	2,175
– Bank balances and cash disposed of	(352)
	1,823

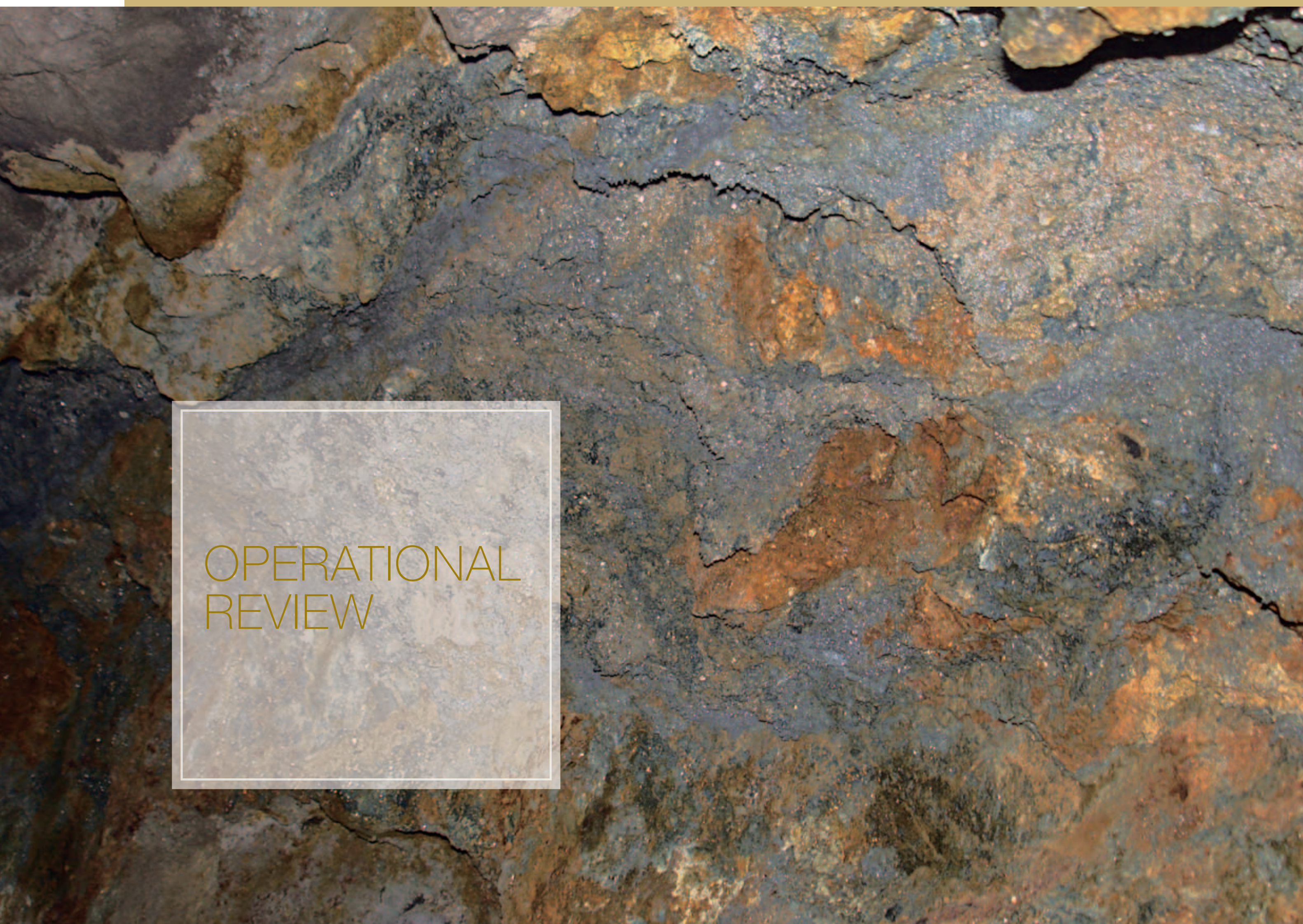
19. Events occurring after the reporting period

On 25 August 2010, Sino Prosper Group Limited ("SP Group"), a wholly-owned subsidiary of the Company and the holding company of Sino Prosper Gas Limited ("SP Gas"), which holds 95% of equity interest of CNPC Sino Prosper Petroleum and Gas Company Ltd. ("CNPC"), has entered into a disposal agreement ("Disposal agreement") with Mr. Leung (the "Purchaser"), an executive Director, the Chairman and a substantial shareholder of the Company, for the disposal of the entire issued ordinary share capital of SP Gas and the loan payable by SP Gas to its shareholder at a purchase consideration of HK$13.3 million.

The sole asset of SP Gas was the 95% equity interest of CNPC.

Save as disclosed in the announcement dated 26 October 2010 (which date falls after the reporting period), all conditions precedent to the completion of the disposal were fulfilled, thus the transaction was also completed on 26 October 2010.

MANAGEMENT DISCUSSION & ANALYSIS

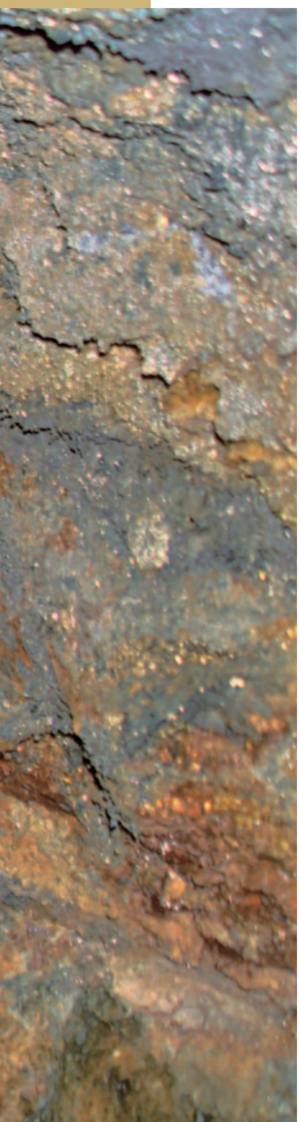


OPERATIONAL REVIEW

The Group has been transformed to focus on the **MINING** and **PRODUCTION OF PRECIOUS METALS** in China. The Group is paving its way to becoming a major Chinese precious metals producer with significant expansion and exploration potential. The following sets out briefly the progress of the projects.

Current Operations

Investment in Gold Mine Project in Inner Mongolia, the PRC



On 23 January 2010 (a date which falls before the commencement of the reporting period), Sino Prosper Mineral Products Limited, ("Sino Prosper Mineral"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("Inner Mongolia Agreement") with Hong Guang ("Mr. Hong") for the acquisition ("Inner Mongolia Acquisition") of Favour South Limited, a company incorporated in the British Virgin Islands ("Favour South"), and the indebtedness owing by Favour South to Mr. Hong on or prior to completion of the Inner Mongolia Acquisition at a total consideration ("Consideration") of RMB147 million (equivalent to approximately HK$167 million) (subject to adjustment). The entire Consideration was agreed to be payable in cash.

The sole asset of Favour South was the entire issued capital of Great Surplus Investment Limited, a company incorporated in Hong Kong ("Great Surplus"), which was expected to contribute and own 70% of the registered and paid up capital of the Ao Han Qi Xin Rui En Industry Co., Ltd. 敖漢旗鑫瑞恩礦業有限責任公司 ("the PRC Company"). The PRC Company was the holder of a permit for the mining of gold at a mine located at Gouliang Town, Aohanqi, Inner Mongolia Autonomous Region, the PRC.

The Inner Mongolia Acquisition constituted a major transaction of the Company under Chapter 14 of the Listing Rules. It was approved by Shareholders at the extraordinary meeting held on 17 June 2010.

Save as disclosed in the announcement dated 29 June 2010, all conditions precedent to the completion of the Inner Mongolia Acquisition were fulfilled, and the transaction was completed on 29 June 2010. After completion of the change of the directors and legal representative of the PRC Company and obtaining the approval from the relevant PRC governmental departments, as well as the obtaining of the business licence issued by the Administration for Industry and Commerce (which licence states the paid-up capital of the PRC Company to be RMB10 million) and the approval certificate from the Department of Commerce of Inner Mongolia Autonomous Region to increase the registered capital of the PRC Company to RMB50 million, the balance of the Consideration for the transaction in the sum of HK$31,818,182 was paid to Mr. Hong on 9 August 2010. As at 10 August 2010, the increase of the registered capital of the PRC Company to RMB50 million was completed.

1 Year Gold

Source: www.kitco.com

Up to 30 September 2010, an aggregate of RMB50 million was injected by the joint venture parties. During the six months ended 30 September 2010, the PRC Company has not generated any revenue.

In only four months since the completion of the acquisition of the 70% interest in the PRC Company. by the Company, Sino Prosper has made the following significant progress:

1: Ore Processing Plant and Accessory Facilities

The first phase of the infrastructure of its planned Processing Facilities at AoHanQi is now completed and construction of the 500 tonnes per day (tpd) ore processing plant has been completed. The plant equipments and accessory equipments have been installed, and the accessory facilities such as the flotation circuit and the first-phase tailing pond have been completed. To facilitate the smooth ramp-up of production, equipment test-runs and pilot production will be conducted in the plant in the coming weeks. The plant is expected to achieve the planned capacity sometime during December 2010 to January 2011. Recruitment and training of new staff in each department have been implemented. The Company maintains its development objective, and exploration works are expected to be carried out further in the following months. A related larger scale mining plan is developed to ensure smooth plant operation. The expansion of the facility to a capacity of up to 2,000 tpd will be the Company's key operating objective in the second half of 2011.

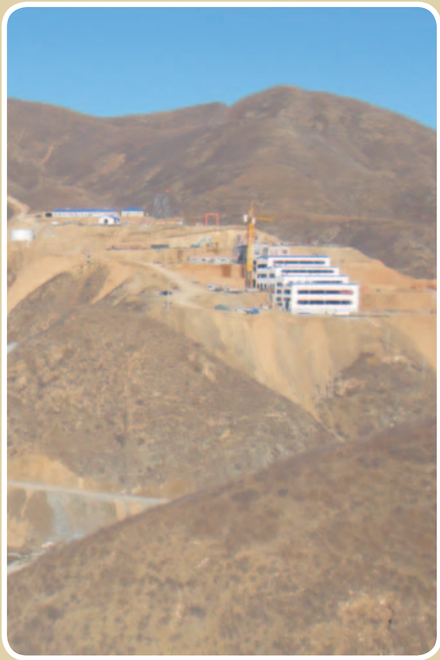
August 27

Pictures of the Construction Development of the Processing Plant

2010

August 9

September 9



November 4

August September October November

October 29

2: Refining and Smelting Facility

The planned construction of the refining and smelting facility has now been suspended until the second quarter of 2011 due to the cold weather. However, if, in the following months, it is decided to expand the capacity to 2,000 tpd, management may consider building a new large refining and smelting facility to meet the larger demand from the higher capacity processing.

3: Expansion of Mining System

Stage I work of AoHanQi project (i.e. reconstruction of tunnels and supporting facilities) has been completed and is performing well to date. The current output capacity of the mine is approximately 600 tpd. Stage II expansion of the mine is now underway with the construction of four new vertical shafts: No.2, No.3, No.6 and No.8, which are larger than the existing shafts and will provide expanded access capacity. The first phase of construction of these new vertical shafts will be to a depth of 300m. The mining capacity of the AoHanQi Mine is expected to exceed 2,000 tpd upon completion of current mine expansion planned for the first half of 2011.

4: Exploration of AoHanQi

The Group has engaged China Non-ferrous Metal Geological Survey Co. Ltd (CNGS), Chifeng Huaxia Engineering Geological Investigation Co., Ltd. and Sichuan Huafeng Drilling Company to undertake exploration work at AoHanQi. Additionally, the Group also retained Beijing Kewen Minerals Consulting Limited to provide professional technical advice and training to the exploration team. The Group has also retained Behre Dolbear Asia, Inc. as consultants for the preparation of an independent JORC-compliant technical report.

The Company introduced appropriate Quality Assurance/Quality Control (QA/QC) procedures for sampling, sample handling and security, chain of custody, analytical procedures and reporting. The drilling currently in operation has encountered significant new mineralization, which will require further exploration. Current drilling has focused on the main controlling fault with a depth of approximately 500 meters and consisted of a total of 28 drill holes for a total of approximately 8,000 meters. Approximately 1,000 samples were collected and have been submitted to SGS-CSTC Standards Technical Services (Tianjin) Company, Ltd. in Tianjin for analysis. The Company completed 1:2,000 topographic mapping over 6.9 sq-km, 1:10,000 high resolution magnetic surveys, 1:10,000 intermediate gradient IP surveys, 1:10,000 geochemical soil surveys over 6.5 sq-km, and other comprehensive geophysical and geochemical analysis. Since the previous geological work was carried out in accordance with the PRC standards which are not compliant with the requirements of JORC standards, new exploration work is required (including redrilling and re-sampling) in compliance with JORC standards. For the above reasons, the issuance of an initial JORC compliant technical report is expected to be completed in the second quarter of 2011. To assist in meeting this objective, the Company has instituted a winter drill programme and has retained the services of Sichuan Huafeng Drilling Company utilizing their Longyear LF-70 drill.

The Company has continued to gain new understanding and knowledge of the highly mineralized regional geologic setting for the AoHanQi project area. Within the project area and its neighbourhood, the geologic setting is varied and highly complex. The Company has identified at least four geologic events that appear to have resulted in gold and other mineral deposition in the area. Beyond the vein type system, which has been the historic focus of the property, Sino Prosper's team has identified a number of targets for future exploration, including explosion breccias, a large placer gold area, a potential copper deposit, and the potential for a deep copper/gold porphyry system.

Investment in Zhongyi Weiye Copper and Gold Mines Project in Heilongjiang Province, PRC

On 17 May 2010, Victor Bright Investment Limited ("VB"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("2010 Acquisition Agreement") with Ms. Gao Liyan ("First Vendor") and Mr. Song Yang ("Second Vendor"). The 2010 Acquisition involves (i) the purchase by the Company from the First Vendor and the Second Vendor (who were joint venture partners to the Group holding 21% and 14% equity interest in 黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd) ("Zhongyi Weiye") respectively) of an aggregate 27% equity interest in Zhongyi Weiye pursuant to the terms and conditions of the 2010 Acquisition Agreement, and (ii) the subsequent contribution by the Group to additional portion of registered capital in the Target PRC to the extent of RMB44.3 million after completion of the 2010 Acquisition Agreement. At the time of entering into the 2010 Acquisition Agreement, Zhongyi Weiye was a 65% equity owned subsidiary of the Company. The consideration for the 2010 Acquisition Agreement was RMB24 million in aggregate (subject to adjustment), of which RMB11.56 million was payable to the First Vendor and RMB12.44 million was payable to the Second Vendor. The consideration was payable in the form of cash only.

Zhongyi Weiye is the holder of the exploration permits of five mines in the PRC with total mining area of approximately 364.61 square kilometers. The predominant resources in these mines are various kinds of metals including copper and gold.

The corporate nature of Zhongyi Weiye was a Sino-foreign equity joint venture enterprise and, immediately following the completion of the transfer of the 27% equity interest in Zhongyi Weiye, the equity ownership of Zhongyi Weiye was held as to 92% by the Group and 8% by the First Vendor respectively. Following completion of the increase in the said registered capital, the corporate nature of Zhongyi Weiye has been amended to become a Sino-foreign cooperative joint venture enterprise, which has become subject to a profit-sharing ratio of 92% being enjoyed by the Group and 8% by the First Vendor, despite dilution to the equity interest held by the First Vendor in Zhongyi Weiye as a result of the increase of registered capital by the Purchaser after completion of the 2010 Acquisition.

The 2010 Acquisition constituted a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. As each of the Vendors was a substantial shareholder of Zhongyi Weiye (a non-wholly-owned subsidiary of the Company), holding 21% and 14% of the equity interests of Zhongyi Weiye respectively, each of the Vendors was then a connected person of the Company for the purposes of Chapter 14A of the Listing Rules, and the 2010 Acquisition also constituted a connected transaction for the Company under the Listing Rules. It was approved by Shareholders at the extraordinary general meeting held on 24 June 2010.

In respect of this project in Heilongjiang Province, the Group currently holds five exploration licenses for poly-metalic gold prospects which cover an area of 364.61 sq.km. At present, the Group has entrusted Heilongjiang Suihua Jinbo Geology and Mineral Ltd. to perform systemic exploration work, focusing initially on three tenements: PaoShouYingDongShan (砲手營東山), SanChaLu (三岔路) and XiNanCha (西南岔). During this initial exploration work, the focus will be on developing resources based on the prevailing relevant PRC standards, with an aim to obtain mining permits as soon as possible. To the extent as permitted under the relevant circumstances, appropriate QA/QC and other procedures will be implemented to allow for future JORC compliant mineral resource exploration and calculations.

Systematic geophysical and geochemical survey has been conducted on the five exploration tenements, with new systemic trench testing based on the previous work. Drill testing on the mineralization zone controlled by trenching has also been undertaken. Cumulatively work has consisted to date of approximately 40,000 cubic meters exploration trenches, 5,000 meters trench logging, 1:10,000 geochemical soil survey over 31 sq-km and 1:10,000 intermediate gradient IP measurement over 19.06 sq-km. Due to unusual weather conditions and local flooding during the summer drill season, exploration work was delayed and drilling work was adversely affected. Nonetheless, drilling of approximately 4,000 meters was completed, some 1,000 samples collected and core and sample analysis is in process. The Company believes that the results will be sufficient to issue the PRC standard resource report by the end of the year, allowing for application for a mining license in the first quarter of 2011 and to commence production by the end of next year.

Saved as disclosed in the announcement dated 3 August 2010, all conditions precedent to the completion of the 2010 Acquisition were fulfilled, and the transaction was completed on 3 August 2010.

Up to 30 September 2010, an aggregate of approximately RMB14.7 million was injected by the joint venture parties. During the six months ended 30 September 2010, Zhongyi Weiye has not generated any revenue.

CNPC Sino Prosper Petroleum and Gas Company Ltd ("CNPC")

CNPC, a 95%-owned subsidiary of the Group, is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. Up to 30 September 2010, an aggregate of approximately RMB13.5 million was injected by the joint venture parties as part of CNPC's entire registered capital of RMB50 million. During the six months ended 30 September 2010, CNPC recorded a turnover of approximately RMB1.8 million (equivalent to approximately HK$2.1 million).

On 25 August 2010, Sino Prosper Group Limited ("SP Group"), a wholly-owned subsidiary of the Company and the holding company of Sino Prosper Gas Limited ("SP Gas", which holds 95% of equity interest of CNPC), has entered into a disposal agreement ("Disposal agreement") with Mr. Leung (the "Purchaser"), an executive Director, the Chairman and a substantial shareholder of the Company, for the disposal of the entire issued ordinary share capital of SP Gas and the loan payable by SP Gas to its shareholder at a purchase consideration of HK$13.3 million.

The sole asset of SP Gas was the 95% equity interest of CNPC.

The Purchaser was a connected person by virtue of his being a Director and a substantial shareholder of the Company. As such, the disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The disposal also constituted a major transaction of the Company under Chapter 14 of the Listing Rules. It was approved by independent Shareholders at the extraordinary general meeting held on 15 October 2010 (which date falls after the reporting period).

Save as disclosed in the announcement dated 26 October 2010 (which date falls after the reporting period), all conditions precedent to the completion of the disposal were fulfilled, and the transaction was also completed on 26 October 2010.

Future Direction

The Group has been transformed to a HK listed company focusing on the mining and production of precious metals in China. Looking forward, the Group will actively explore new opportunities for investment of precious metal in the PRC.

FINANCIAL REVIEW

For the six months ended 30 September 2010, the Group recorded total turnover of approximately HK$29,790,000 which comprises a turnover of (i) approximately HK$2,090,000 from the sale of fuel oil and chemicals (six months ended 30 September 2009: approximately HK$11,438,000); and (ii) approximately HK$27,700,000 from the sale of gold (six months ended 30 September 2009: HK$2,746,000). Total Group turnover increased by approximately 110% as compared to last period. Such increase was mainly attributable to the increase in turnover from the sale of gold. For the six months ended 30 September 2010, the Group's net loss attributable to shareholders was approximately HK$28,556,000 (six months ended 30 September 2009: approximately HK$6,117,000). The increase in the Group's net loss attributable to shareholders was mainly due to (i) the loss on early redemption of promissory note of approximately HK$18,414,000 and (ii) the finance costs on convertible bonds and promissory note of approximately HK$3,561,000, which are mainly arising from adopting the effective interest rate method on calculating the amortized cost of a debt instrument and of allocating interest expenses and (iii) the increase in general and administrative expenses, as additional manpower was recruited and deployed to develop the Group's precious metal business.

As at 30 September 2010, the Group recorded total assets of approximately HK$1,805,177,000 (as at 31 March 2010: approximately HK$1,249,396,000), and recorded total liabilities of approximately HK$103,563,000 (as at 31 March 2010: approximately HK$178,563,000). The Group's net asset value as at 30 September 2010 increased by 59% to approximately HK$1,701,614,000 as compared to approximately HK$1,070,833,000 as at 31 March 2010. The significant increase in the Group's net asset value was mainly attributable to the (i) increase in exploration and evaluation assets of approximately HK$20,185,000 arising mainly from the effect of foreign currency exchange differences and (ii) the mining rights of approximately HK$310,516,000 arising mainly from the acquisition of subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and capital fund raising activities. For the six months ended 30 September 2010,

(i) 1,209,781,813 ordinary shares were issued upon the conversion of convertible bonds at the conversion price of HK$0.075 per share, giving rise to an aggregate net proceeds of approximately HK$90.7 million.

(ii) 2,888,000,000 ordinary shares were issued by way of placing of new shares pursuant to a placing agreement dated 12 March 2010 (as amended by a supplemental placing agreement dated 23 March 2010) entered into between the Company and Samsung Securities (Asia) Limited ("the Placing Agent"), whereby the Placing Agent has agreed to place on a best effort basis, up to 3,600 million ordinary shares to not less than six placees at the final issue price of HK$0.19 per share, giving rise to an aggregate proceeds of approximately HK$548.7 million. The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK$529.0 million. As at 30 September 2010, the net proceeds were mainly used for the following purposes: (i) approximately HK$167,045,000 (equivalent to approximately RMB147,000,000) for the Inner Mongolia Acquisition, of which RMB8,000,000 was contributed to the PRC Company as registered capital for the construction of the processing facilities and the exploration work; (ii) approximately HK$32,175,000 (equivalent to approximately RMB28,000,000) for the payment of the registered capital of the PRC Company, which was applied to the construction of the processing facilities and the exploration work; (iii) approximately RMB24,000,000 for the acquisition of the 27% equity interest in Zhongyi Weiye; and (iv) approximately HK$10,350,000 (equivalent to approximately RMB9,030,000) for the payment of the registered capital of Zhongyi Weiye and the exploration work. The balance of the net proceeds is currently planned to be used for the general working capital of the Group and to finance any possible acquisition plan of the Group in the future.

As at 30 September 2010, the Group had cash and bank balances of approximately HK$400,914,000 (as at 31 March 2010: approximately HK$216,030,000). As at 30 September 2010, the Group had no outstanding borrowings (as at 31 March 2010: approximately HK$152,442,000). Its gearing ratio calculated as a ratio of net debt to total equity was Nil (as at 31 March 2010: Nil). As at 30 September 2010, the Group's net current assets totalled approximately HK$395,818,000 (as at 31 March 2010: approximately HK$200,247,000) and the current ratio was maintained at a level of approximately 16.2 (as at 31 March 2010: approximately 8.7).

TREASURY POLICIES

The Group does not engage in any interest rates, currency speculation and operates deposit banking accounts with principal bankers in Hong Kong and the PRC. The interest rates of these deposit banking accounts are fixed by reference to the respective countries interbank offer rate. The Group maintains sufficient funding resources to execute its exploration and development business plans and generally takes a prudent and cautious approach to cash application and its capital commitments, particularly in respect of the Group's business in the precious metals mining industry.

CONTINGENT LIABILITIES

As at 31 March 2010 and 30 September 2010, the Group had no contingent liabilities.

CAPITAL COMMITMENTS

At 30 September 2010, the Group had the following commitments which were not provided for in the interim financial statements:

	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
Contracted but not provided for:		
– Investment in a joint venture company	**39,771**	39,001
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	**40,818**	1,000
– Exploration and evaluation expenditures	**32,676**	659
	113,265	40,660

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies.

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all of the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all of the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors consider that the Group is not exposed to significant foreign currency risk.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2010, the Group employed 255 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market salaries. 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.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save and except as hereinafter mentioned, the Company was in compliance with the Code for the six months ended 30 September 2010:

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 30 August 2010 in order to attend to other matters. A Director was present at the annual general meeting to chair the meeting. To ensure compliance with the Code, the Company will arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors (including the Chairman of the Board) can attend the annual general meeting.

NON-COMPLIANCE WITH REQUIREMENTS REGARDING INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF AUDIT COMMITTEE

As Mr. Chan Sing Fai ("Mr. Chan") did not offer himself for re-election as a Director at the 2010 annual general meeting held on 30 August 2010, and no new independent non-executive Director was appointed to fill the vacant post arising from his retirement after the conclusion of the 2010 annual general meeting, the Company currently has only two independent non-executive Directors and the audit committee of the Board has only two members (namely, Mr. Cai Wei Lun and Dr. Leung Wai Cheung). Such number falls below the minimum number required under Rule 3.10(1) and 3.21 of the Listing Rules respectively. At present, Dr. Leung Wai Cheung, an independent non-executive Director, possesses the qualification which meets the requirements under Rule 3.10(2) of the Listing Rules.

The Company is in the course of identifying a suitable candidate to fill such vacancy arising from Mr. Chan's retirement, with a view to complying with the said rules. It is expected that the candidate will also fill the vacancy of each of the audit committee and the remuneration committee of the Board, which also arose from Mr. Chan's retirement.

An announcement was made on 30 August 2010 regarding such non-compliance. Further announcement will be made by the Company upon the identification and/or appointment of the new independent non-executive Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2010.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2010, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors 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 ("Shares") as at 30 September 2010

	Capacity	**Number of ordinary shares** (Note 1)	**Approximate percentage of total issued shares** (Note 2)
Executive Directors:			
Leung Ngai Man	Beneficial owner	1,501,600,000 (L) (Note 3)	22.21%

Notes:

1. The letter "L" represents the Director's long position in the Shares of the Company.

2. This percentage is calculated on the basis of 6,759,844,971 Shares in issue as at 30 September 2010 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 2010.

3. These 1,501,600,000 Shares were attributable to Leung Ngai Man. Among these shares, (a) 1,493,600,000 Shares were beneficially owned by Leung Ngai Man; and (b) 8 million Shares represented underlying Shares for which Mr. Leung was entitled to subscribe upon exercise of certain options granted to him under the Company's Share Option Scheme.

(ii) Interests and Short Positions in Underlying Shares as at 30 September 2010

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares (Note 1)
Leung Ngai Man	Beneficial owner	8,000,000 (Note 2)	0.12%
Sung Kin Man	Beneficial owner	10,000,000 (Note 3)	0.15%
Yeung Kit	Beneficial owner	6,400,000 (Note 4)	0.09%
Cai Wei Lun	Beneficial owner	3,400,000 (Note 5)	0.05%

Notes:

1. This percentage is calculated on the basis of 6,759,844,971 Shares in issue as at 30 September 2010 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 2010.

2. Share options carrying rights to subscribe for 8,000,000 Shares were granted to Leung Ngai Man on 3 January 2005 pursuant to the share option scheme.

3. Share options carrying rights to subscribe for 10,000,000 shares were granted to Sung Kin Man on 4 May 2010 pursuant to the share option scheme.

4. Share options carrying rights to subscribe for 1,400,000 and 6,600,000 Shares were granted to Yeung Kit on 1 November 2004 and 12 January 2005 respectively pursuant to the share option scheme. Yeung Kit exercised 1,600,000 share options on 7 February 2006 and as at 31 March 2010, he had 6,400,000 outstanding share options.

5. Share options carrying rights to subscribe for 3,400,000 Shares were granted to Cai Wei Lun on 8 May 2006 pursuant to the share option scheme.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 30 September 2010, none of the Directors or 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 OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares" and "Share Option Scheme" of this interim report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in and debentures of 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 2010, 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	**Capacity**	**Number of ordinary Shares** (Note 1)	**Approximate percentage of shareholding** (Note 2)
FMR LLC	Investment manager (Note 3)	455,860,000 (L)	6.74
Invesco Hong Kong Limited	Investment manager	368,530,000 (L)	5.45

Notes:

1. The letter "L" represents the entity's long position in the Shares of the Company.

2. This percentage is calculated on the basis of 6,759,844,971 Shares in issue as at the Latest Practicable Date 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 the Latest Practicable Date.

3. Among the above Shares, 197,310,000 Shares were attributable to Fidelity Management and Research Company and 258,550,000 Shares were attributable to Fidelity Management Trust Company, Pyramis Global Advisors LLC.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests 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.

Subsequent to the end of the reporting period, (i) on 18 October 2010, FIL Limited increased its long position in the Shares of the Company from 4.95% to 5.07% by acquiring 7.64 million shares, and (ii) during the period from 15 November 2010 to 22 November 2010, Halbis Capital Management (Hong Kong) Limited whose listed parent is HSBC Holdings plc, increased its long position in the Shares of the Company from 4.95% to 6.05% by acquiring 74.12 million shares.

SHARE-BASED PAYMENT TRANSACTIONS

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 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 higher 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.

All equity-settled share-based payments will be settled in equity. The Group has no legal and constructive obligation to repurchase or settle the options.

Movements in the share options during the six months ended 30 September 2010 are as follows:

	Number	**Weighted average exercise price per share** HK$
Outstanding at 1 April 2010	116,600,000	0.733
Granted	47,000,000	0.30
Exercised	–	–
Outstanding at 30 September 2010	163,600,000	0.609

There were 163,600,000 share options exercisable as at 30 September 2010.

Date of grant	Number of options	Exercise period	Exercise price per share HK$
1 November 2004	2,200,000	1 November 2004 to 31 October 2014	0.475
29 November 2004	3,000,000	29 November 2004 to 28 November 2014	0.460
3 January 2005	8,000,000	3 January 2005 to 2 January 2015	0.410
12 January 2005	5,000,000	12 January 2005 to 11 January 2015	0.410
23 March 2005	4,000,000	23 March 2005 to 22 March 2015	0.340
8 May 2006	26,400,000	8 May 2006 to 7 May 2016	1.460
1 September 2006	36,000,000	1 September 2006 to 31 August 2016	0.710
4 September 2006	6,000,000	4 September 2006 to 3 September 2016	0.710
1 June 2007	14,000,000	1 June 2007 to 31 May 2017	0.455
14 May 2008	12,000,000	14 May 2008 to 13 May 2018	0.136
4 May 2010	47,000,000	4 May 2010 to 3 May 2011	0.300
	163,600,000		

Options granted are fully vested at the date of grant except for 47,000,000 options granted on 4 May 2010 for which 25% are exercisable 9 months from the date of acceptance of offer (i.e. 5 May 2010), 25% are exercisable 15 months from the date of acceptance of offer, 25 % are exercisable 21 months from the date of acceptance of offer and 25% are exercisable 27 months from the date of acceptance of offer. The options outstanding at 30 September 2010 had weighted average exercise price of HK$0.609 and a weighted average remaining contractual life of 7.6 years.

Consideration of HK$6 was received as the Company granted share options during the six months ended 30 September 2010.

None of the share options were forfeited and expired during the six months ended 30 September 2010.

All share options have been accounted for under HKFRS 2. The fair values of share options granted to directors, employees and consultants determined at the dates of grant are expensed over the vesting periods, with a corresponding adjustment to the Group's share options reserve.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

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 2010.

AUDIT COMMITTEE'S REVIEW

The interim results of the Group for the six months ended 30 September 2010 have been reviewed by the Audit Committee.

By Order of the Board
Sino Prosper State Gold Resources Holdings Limited
Sung Kin Man
Chief Executive Officer and Executive Director

Hong Kong, 25 November 2010

As at the date of this report, the executive Directors are Mr. Leung Ngai Man, Mr. Sung Kin Man, Mr. Yeung Kit and Mr. Ng Kwok Chu, Winfield, and the independent non-executive Directors are Mr. Cai Wei Lun and Dr. Leung Wai Cheung.

Sino Prosper State Gold Resources Holdings Limited
中盈國金資源控股有限公司

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