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)

(Stock Code : 766)

THE GOLDEN TOUCH

ANNUAL REPORT 2012

The Didcot purse of
125 gold coins was buried in
160-169 AD in Roman Britain

Corporate Profile

Sino Prosper State Gold Resources Holdings Limited ("Sino Prosper") is a Cayman Islands corporation listed on the Hong Kong Stock Exchange (HKEx: 0766) focused on exploration, development, production and sale of precious metals in China. Sino Prosper uses its strategic relationships to acquire producing or near-producing assets in China, where resources and production can be enhanced to deliver shareholder value and to create a leading China gold mining company.

Cover: The Chu State of the Warring Period (475-221 BC) produced the first Chinese gold coin. This coin is depicted on the cover of The Sino Prosper Annual Report.

As Good as Gold...

Gold coinage has underpinned the financial systems of the leading empires for thousands of years. Three gold coins of the first millennium led the way for the first international currencies. The Lydian croesid, the Persian daric and the Macedon slater, opened new doors for commerce. Other nations have followed suit and even today gold coinage exists as a store of value. Below is a selection of famous gold coins throughout history.

550 BC
Lydia (Turkey)

King Croesus is credited with the launch of the first international currency with issuance of the croesid

500 BC
Persia

Darius I issued the daric and set Persia on a course to be one of the world's greatest empires

348 BC
Macedonia

Philip II created the slater, a gold coin that his son Alexander the Great spread around the world

64-68 AD
Rome

The aureus minted by Emperor Nero was part of the great coinage history of the Roman Empire

685-705 AD
Syria

The dinar of Caliph Abdul al-Malik was an important part of Islamic coinage reform

1280-1289
Venice

The much-used Venice ducat of Doge Giovanni Dandolo heralded the boom in Italian coinage

1303-1342
Hungary

Ruler Charles Robert made guildern a key fixture in coinage history during the Hungarian gold rush

1817
England

The George III coin was the first of the modern gold sovereigns and one of five coins that changed international commerce

1967
South Africa

The launch of the Krugerrand was indicative of South Africa's legendary gold mining power

1979
Canada

The Maple Leaf is one of the world's purest gold coins with a gold content of 9999 millesimal fineness (24 carats)

1982
China

The Panda coin has become popular as the people of China lead the gold consumption boom

1985
United States

The Eagle is the cornerstone coin for the nation that holds the world's largest gold reserves

The Art of Gold Mining is the Creation that Follows

table Of Content

Chairman's Message

The Golden Touch

The Mycenean Mask of Agamemnon (1600-1500 BC) depicting the legendary Greek leader and victor of Troy was uncovered in 1876

Gold is at the heart of the Sino Prosper business. The prospects of Sino Prosper are inevitably connected to the ability of management to find, economically extract and sell gold in China. That is the operational overlay of the success equation. However, one can never ignore the macro picture. The past, present and future of gold has a fundamental and long-term link to the success of any gold mining enterprise.

The 3,000 year-old Jinsha Kingdom located on the Chengdu Plain carried out sacrificial rites using gold ware

This Annual Report celebrates the history of gold as a vote of confidence in the future of the gold mining industry and, in particular, to underpin the future prospects of Sino Prosper in the China gold sector. Just as the history of gold has its ups and downs, with volatility often imposed by complex external factors, so does the story of Sino Prosper have its twists and turns. Certainly, the last year will go down as one filled with challenges for Sino Prosper.

These challenges were present on both a corporate and industry level. Overselling of junior mining stocks and a global meltdown in China equity investment compounded operational issues. With some China stocks trading at a P/E ratio of one in the US and junior mining stocks sold off at steep discounts, it is no surprise that Sino Prosper's stock traded well below the value of its cash holdings (HK$0.615/share at fiscal year-end or HK$0.805/share including a refundable deposit). As we head into 2012, institutional investors remain concerned about Euro contagion and the repercussions for the global economy, a scenario that may further impact gold stocks.

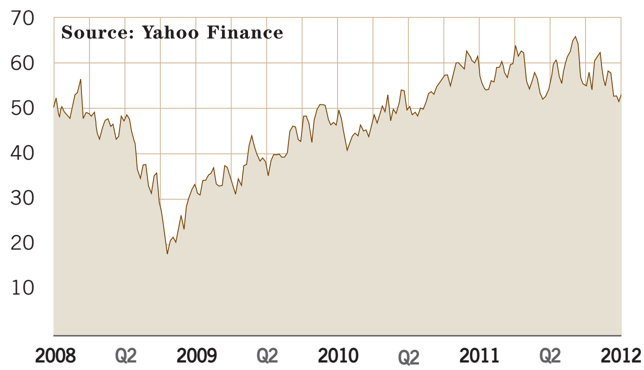
Negative gold sector fundamentals and the stock market climate aside, Sino Prosper production levels were not as strong as anticipated during the last fiscal year. The key reason for delays in production were maintenance and safety work at the Sino Prosper Aohan Qi Mine, expansion of the mine to enhance output and to allow access to new mineralized zones, and changes in the plant configuration to add a dry tailings system compliant with new PRC government regulation.

Notwithstanding these short-term operational setbacks, the underpinning is now in place to accelerate future gold production levels at Aohan Qi. Sino Prosper is also seeking to further reinforce production capacity with the contribution of new potential acquisitions. These activities bode well for future prospects, inspite of current conditions in the capital markets arena.

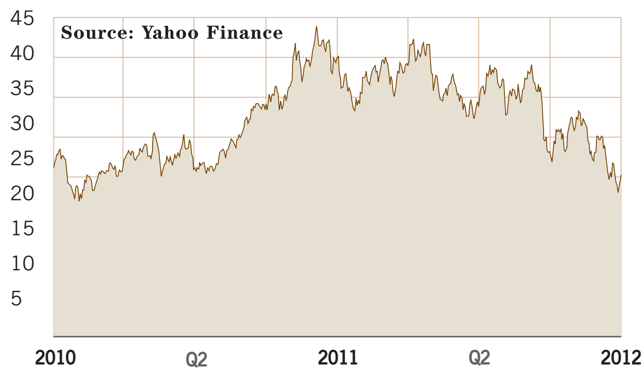
Junior Mining Stocks

The last two years have been tough on mining companies in general and junior mining stocks in particular. The Market Vectors Junior Gold Miners (GDXJ) Index tracks the performance of small- and mid-cap gold and/or silver mining companies. GDXJ is one of the world's largest ETF funds focused on junior gold stocks with over HK$15 billion of assets under management. For the year ended 30 April 2012, the GDXJ Index was down 39.8%, compared to a more modest decrease of 24.8% in the Gold Miners (GDX) Index that tracks large cap gold stocks.

Market Vectors Gold Miners ETF (GDX)



Market Vectors Junior Gold Miners ETF (GDXJ)



Despite a rise in gold prices for 11 years in a row and a relatively modest decline in the current price from all-time highs, it is not uncommon to see junior gold shares down 40%, 50% and even more from their highs. The decline of junior gold companies has accelerated due to selling pressure from individual investors receiving margin calls and gold funds facing redemptions. This trend has reversed the flow of the huge amount of money that has poured into the junior gold sector over the past few years.

Such selling pressure on gold stocks has only been witnessed one other time in recent history. During the 2008 stock market downturn, gold stocks plunged heavily, outpacing declines in the actual gold price. While the market ended up at greatly oversold levels, it was not long before the sector rebounded. An impressive rally sparked the NYSE Arca Gold BUGS (Basket of Unhedged Gold Stocks) Index (stock symbol HUI), a renowned index of gold mining companies, to rise 400% over the following three years.

Sino Prosper believes that the fundamentals are in place for another rebound in the sector. The HUI Index had an average ratio to gold of 0.511x in the five years before the 2008 crash. In the week-ended 19 May 2012, the HUI Index gold ratio plunged to 0.244x, levels only seen briefly during the darkest days in 2008. Since 2011 highs, the HUI and GDX plunged by 40.8% and 41% to 19 May 2012. During this period, gold only fell 18.8% from an all-time high. The junior gold stocks fared worse. From an interim high mark in April 2011 the GDXJ was down 57.8% to May 2012.

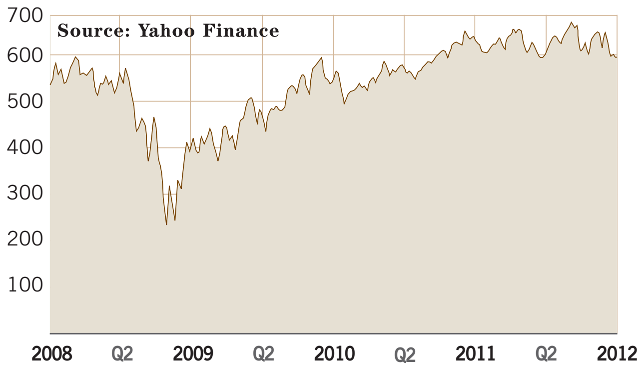
Final Word

The fall in stock prices and the dynamics of the global gold market have pushed some analysts to note that the valuations of junior gold mining stocks are the lowest in history. While Sino Prosper believes this to be true, the focus of management must remain on operational fundamentals, not macro external factors that are out of the control of Sino Prosper.

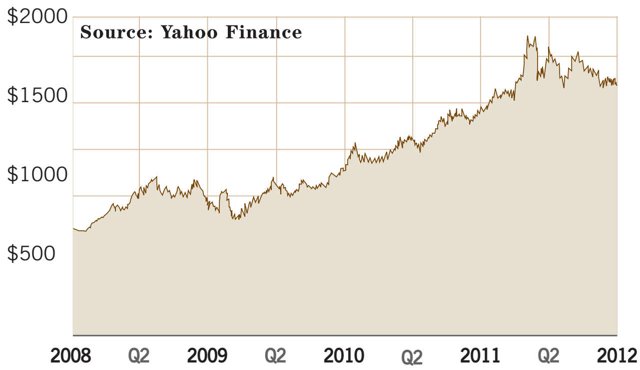
As one of a select few junior mining stocks listed in the Stock Exchange of Hong Kong Limited, Sino Prosper's shares has felt the severe adverse effects of a junior gold mining stock sell-off. In the coming period, management is hopeful that sound operational developments will dovetail with a turnaround in investor sentiment towards gold stocks. This should provide a revaluation of Sino Prosper from a market capitalization perspective, in particular to reflect the solid cash position, potential production and improved cash flow.

We sincerely appreciate the patience and loyalty of our shareholders during this challenging period. With planned increases of gold production, new projects coming on-stream to diversify mining output and a positive cash position in excess of current market capitalization, Sino Prosper will continue to seek to enhance shareholders' value.

NYSE Arca Gold BUGS Index (HUI)



Gold Price: US Dollars per Ounce

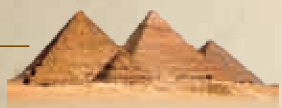


History of Gold

The following time line tracks some of the key highlights of the history of gold from the earliest stages to the present day

4,000 BC

3,000 BC



Egyptians use precious metals to adorn their sacred pharoahs and temple priests

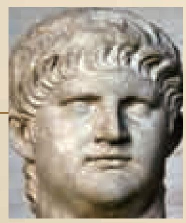
2,000 BC

The Jinsha "Gold Sands" kingdom worshiped the sun and birds

550 BC

King Croesus launches international gold currency

50-150 AD



Roman Empire discovers gold in Spain with new mining technology and techniques

340-375 AD

First gold bars with assayer's stamps

1-800 AD

The Peruvian Mochico culture created unique gold artifacts

4,000 BC

Zhou Dynasty circulates metal coins as ancient currency

1,227 BC

King Tut buried with gold treasures

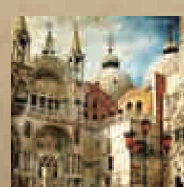
475-221 BC

Chu State produced first gold coin named the Yuan

685-705 AD

Caliph Abdul al-Malik designs Islamic coinage using the words of the Koran to please clerics

1250



Italian city states – Venice, Florence and Genoa – issue gold coin currency to enhance trade

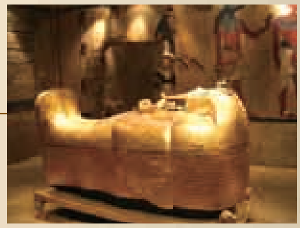
1849

The California gold strike was the first of a string of gold rushes in new world nations

1886

Witwatersrand (South Africa) – the greatest gold find of all brings large scale mining companies into the industry

1922



King Tut's untouched tomb uncovered in archeological find

1929

Investors turn to gold in times of trouble – like the Great Depression

1971

President Richard Nixon severed the gold standard link at Bretton Woods

2007

China overtakes South Africa to become the world's largest gold producer in 2007

2011

US$1900

Gold prices reaches an old-time peak

PRESENT

1492-1542

Columbus discovers America and Spain plunders South American gold

1303-1342

King Charles I of Hungary is enriched by a major gold rush

1940

US$35

Gold price reset at new high

1950

Mao Zedong brings China into gold standard

2011

China and India vie for first and second as the largest consumers of gold jewellery

1966

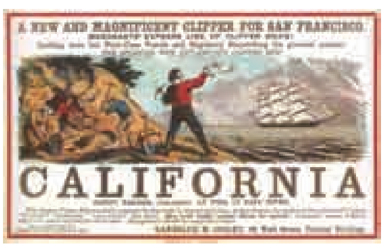
South Africa gold discoveries dominate world market with 78% of global production

The history of gold mirrors the history of civilization, and the history of civilization would not be the same without the glitter of gold. For whatever reasons, and one must dig deep into the dawn of man to best understand the underlying passion for this shining precious metal, gold has emerged as a significant component of the history of the world from many perspectives. While gold has been used for destructive purposes from time to time over the course of history, that is more the failing of man's character than due to the innate nature of this precious metal.

This Mochican gold sheet warrior priest with a jaguar head is part of the historic legacy of gold artifacts worldwide

It is documented that global gold holdings accumulated during recorded history account for about 120,000 metric tons. To put this in perspective, according to one gold scholar, "the total world's hoard of the shiny metal will occupy a single cube 60 feet by 60 feet by 60 feet or equal to the volume of three 12-room homes". In fact, the world's gold holdings could be transported by a single oil tanker and the value of this cargo would be around US$1.5 trillion, depending on the gold price used. This is a small volume of matter to have so influenced the history of mankind since biblical days.

According to "Ages of Gold", written by Timothy Green, a prolific gold historian: "In theory there are two histories of gold, one prior to 1848 and the other after. The scale of the business changed out of all proportion, and the metal now available dwarfed the size of the treasure of Alexander the Great, the output of the Spanish mines for Rome, of African gold deposits to early Islam, of Hungarian mines for Venice, or even the Brazilian gold that first underpinned Britain's fledgling gold standard after 1700…Bankers and economists, especially in France, feared the gold price must tumble. On the contrary, it remained stable. Just as the gold rushes ushered in the era of the common man out to make his fortune as a gold digger, they also put gold coins in the pockets of millions."



The California Gold Rush of 1849 attracted half a million people who dug out some 820 tons of gold on the road to riches

The post 1848 era witnessed the first of a series of transcontinental gold rushes. The cry for gold in California's Sierra Nevada started a frenzy that was soon to be followed by major strikes in the rivers of Australia and New Zealand, and the development of the deep underground mines of South Africa. The initial stage of these historic gold booms was marked by miners panning rivers, a phase soon replaced by the industrialization of gold mining, new mining technologies and the development of mega properties.

When looking at the history of gold one must consider the metal in the context of three principal uses: jewellery/art, industrial and as a store of value. Gold plays a major role in all these segments, and has done so for over 6,000 years in some cases. While it is impossible to provide a detailed history of gold in this annual report, this overview celebrates the golden highlights.

Jewellery & Art

Throughout history, gold's use in jewellery and fine art has tended to excite people most. Goldsmiths have used gold for decoration for thousands of years, and pushed the boundaries of technology in the creative process. Durability and the everlasting shine of gold have charmed goldsmiths into a creativity that has left us an amazing legacy in treasure-laden museums from Peru to England and China. The selections in these museums are often of a priceless nature due to their amazing quality given the historical and cultural period in which they were produced.

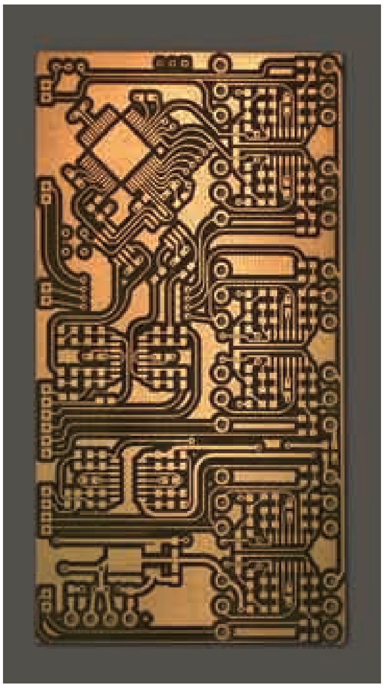
The Columbian Quimbaya culture (200-800 AD) "lime" flask of a man shows the goldsmith prowess of South America

Over the ages, men and women have become so attached to this fashionable substance that those who could afford it took gold to their graves, often as a currency to buy favours in another world. The fact that many filled their sacred tombs with the best pieces of the day is one reason why gold artifact lovers can take their pick when it comes to viewing the world's most impressive treasures.

Perhaps the greatest of the tomb treasures is the Egyptian death mask and glittering throne of legendary King Tutankhamen (c. 1227 BC). The King Tut tomb is the only one spanning 3,000 years of pharaoh rule that survived intact, with nearly everything made of gold to ensure eternity. Then there is the Mycenaean Death Mask of Agamemnon (1600-1500 BC), which resides in the National Museum of Athens. Discovered in 1876 by the famed archaeologist Heinrich Schliemann, this gold mask was said to be that of the legendary Greek leader Agamemnon, but modern research suggests the mask dates earlier than the life of the besieger of Troy.

Cellini's Salt Cellar of the sea and earth with legs entwined was a rage in the 16th century

Meanwhile, across the Atlantic the Peruvian gold sheet diadem of a warrior priest with a jaguar head produced by the Mochica culture (1-800 AD) and housed in Museo Larco of Lima shows that the ancient cultures of South America were masters of gold design. The Mochicans flourished in northern Peru, a pre-cursor to the gold-laden empires of the Aztecs and Incas that enriched the Spanish conquistadors in 16th century and brought South American gold to Europe for the first time. More recently, one can only wonder at the Salt Cellar statuette created in Paris for Francis I (1540-1541 AD) by master goldsmith Benvenuto Cellini's, which features some 3.5 kilograms of pure artistic magnificence melted from 1,000 gold crowns.



Gold is indispensible in the manufacturing of high technology components like this intricate circuit board

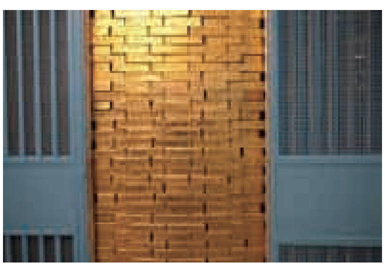
China, houses a number of impressive gold artefacts. Recently, the world learned of the mysterious 3,000 year-old Jinsha Kingdom located on the Chengdu Plain. The Jinsha culture is different from those in other parts of China as the harsh geography made it difficult to enter the kingdom. The Chinese character "jinsha" literately means "gold sand" and the site has proved rich in gold relics. Sacrificial rites involved the use of an astonishing amount of gold ware. The Jinsha created masks, head ware and various shaped objects in finely worked gold. Some relics showcase the Jinsha's technical prowess, such as a round gold foil bearing images of the sun and flying birds made of 94% pure gold with a thickness of just 0.02 centimetres.

Today, no market is larger for gold jewellery than that of China. In the fourth quarter of 2011, China's gold jewellery demand was slightly above the previous year's total at 131.4 tons. The net result was an annual demand increase of 13% to 510.9 tons. China's jewellery demand increased every quarter in 2011 and delivered the largest jewellery market worldwide for the second half of 2011. During fourth quarter of 2012, jewellery demand in Hong Kong rose nearly 40% to 7.1 tons due to record inflows of tourists from China.

Bright Light of Industry

Superb electrical conductivity, ductility and freedom from corrosion or tarnishing at either high or low temperatures are some of the attributes that make gold an important component in the industrial process. Gold's corrosion resistance provides an atomically clean metal surface that has an electrical contact resistant level close to zero, while high thermal conductivity ensures rapid dissipation of heat when gold is used for contacts. The added ability to pound gold into a thickness measured in microns have made gold as important in the technological age as in the ancient world.

The search for gold and its extraction has fuelled a number of important technology advances over the millennia. The ingenuity of rulers hungry to fill treasuries with gold opened the way to new mining techniques, new refining solutions and innovative manufacturing methods. This spirit of advancement was best epitomized by the exploits of the Romans in extracting gold from mines in the rugged mountains of Spain. Engineers scaled cliffs and circumvented mountains with aqueducts to flush out the Spanish gold to enrich the citizens of Rome.



The New York Federal Reserve stores one of the world's largest holdings of gold in its vaults

Finance and Economics

In "Gold: The Once and Future Money", Nathan Lewis notes that gold is hardly ever consumed, used up or thrown away. Lewis roughly calculates that of the 125 million kilograms of gold mined from pre-history to 2001, people possess 106 million kilograms, with some 34 million kilograms held by central banks and 72 million kilograms by private citizens. Since 1492 world gold supply has not risen more than 5% in any one year, and that figure was hit only during the 1850s gold rush. Gold rushes in the 1890s to 1910 brought production to 3% to 4% of supply. Since 1910, gold production has averaged around 2% of the total supply.

Napolean Bonaparte returned France's currency to the gold standard

Gold plays a central role when it comes to the history of finance, in particular as a store of value and stability in times of economic uncertainty. The flight to gold in times of hardship is notable and rulers have generally benefited by backing gold as a source of value determination. The first gold coinage took place as far back as 550 AD in the realm of King Croesus of Lydia (modern Turkey) and since then civilizations have minted a host of coins. Croesus is credited with the technological breakthrough of separating gold from silver to refine the metal with the use of salt. Other leaders took the lead of Croesus and have since been immortalized in the history books due to their minting of coinage.

Nathan Lewis writes: "Alexander of Macedonia unified the Mediterranean under a hard silver coinage; 25 centuries later he remains known as "The Great". Julius Caesar returned Rome's currency to the gold standard and he remains an icon of Rome's greatness. Alexander Hamilton helped launch the US on the gold standard and his face today graces the $10 bill. Napoleon returned France's currency to the gold standard and the French accepted him as their emperor. Lenin returned hyper-inflationary Russia to the gold standard and statues of him were erected throughout the land. Mao Zedong returned China to the gold standard and the country rallied around him…"

Throughout economic history the development of a gold standard – the relationship between the value of gold and a given currency – is at the base of the rise and fall of great empires. Time and again, civilizations have put their faith in gold as the only true measure of value in a world of shifting sands. And, certainly, the rank and file preferred a hard gold currency in their pockets as they marched to historic battles.

The Royal Mint in London makes gold coins for the Bank of England in the early 19th century

The gold standard was brought to new levels of institutionalization by England. At the close of the 17th century a re-coinage, the appointment of Sir Isaac Newton to the Mint in London and the founding of the Bank of England (1694) combined with a Brazilian gold rush to generate the gold standard era. For the next two centuries, the gold standard provided the basic monetary system for Britain, and, later, for almost all leading nations. The George III coin minted in 1817 was the first of the modern gold sovereigns, and found its place as one of the five gold coins that changed international commerce.

From the 1850s gold rush onwards Australia has been a leading gold producer

Putting gold coins into the pockets of people has always been a popular move, and coinage is at the base of the equation. Three gold coins of the first millennium are known to have launched the first international currencies for trade. The gold croesid issued by King Croesus circa 550 BC (weight 8.003g), the Persian gold daric minted by Dariius I in 500 BC (8.35g) and the Macedon gold slater produced by Philip II, father of Alexander the Great, in 348 BC (weight 8.64), all opened new doors for trade and commerce.

The Roman Empire had its say in the history of gold. The victorious legions were paid by gold coin produced by engineers who fuelled a Spanish gold rush with innovative mining techniques. More gold was circulated during the times of the Roman emperors than ever, a level of usage not reached again until the gold rushes of California and Australia in the mid-1800s. The gold aureues minted in 64-68 AD by Nero was part of the great coinage history of the Empire, along with the gold medallion showing Constantine the Great at prayer minted in Siscia (Croatia) in 306-337 AD, and the first gold bars with assayer's stamps in 375-340 AD.

The gold dinar of Syria's Caliph Abdul al-Malik (685-705 AD) was an important part of Islamic coinage reform, with the issuance of a 4.25g coin at the Byzantine mint in Damascus. The Caliph solved the problem of clerics, who did not permit images on coins, by using an inscription: "There is no God but God alone; he has no associates, Muhammad is the Prophet of God". Gold currency became a favoured tool of rulers, with gifts flowing across the Middle East, such as the annual 630 kilogram present of gold coin to Harun al-Rashid in Baghdad from Empress Irene (797-802 AD).

China's Panda gold coins have become a collector's item in recent years due to design changes

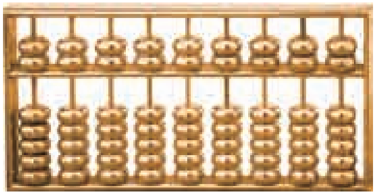
The great gold coin boom of 1250 to 1350 was led by the Hungarian rulers and Italy's city states. The Hungarian ducat or guilden (weight 3.53g) of ruler Charles I (1308-1342) was an important fixture during a local gold rush. Meanwhile, the much-used Venice ducat of Doge Giovanni Dandolo (1280-1289) (3.49g), the Florence florin first issued in 1252 (3.5g) and the Genovino from the port city of Genoa, minted in 1252 (3.5g), were all highlights of the coin frenzy.

About 4,000 years ago, Chinese coins were first cast and widely circulated in the Zhou Dynasty. Since then, cast coins became the most common form of ancient Chinese currency. After Qin's unification of China in 221 BC, the round coin with a central square hole superseded all previous cast metal coins. The Chu State was the first in ancient China to cast gold coins, with the stamped inscription "Ying Cheng." Ying was the capital of the Chu State, and "Cheng" was read as "Yuan," a metric unit of weight and was used as the name of the money. So it was called "Yuan Jin" meaning "gold coins".

The China Mint began producing panda pure gold coins in 1982 in convenient one ounce sizes with fractions and multiples. Larger pandas have been minted in sizes up to 12 ounces, but not in large quantities and these issues are rarely seen. Up until 2002, the China Mint changed the reverse (Panda) designs each year resulting in a collectible series. The pandas are not minted in great quantities like some bullion gold coins and their popularity in jewellery has resulted in few mint condition issues remaining in the earlier designs.

China Gold

Practically all of the world's great empires used gold to underpin the economic fabric. At the start of the Christian era (9-23 AD), Chinese emperor Wang Mang controlled the world's largest gold reserves at 155 metric tons, a treasure not to be exceeded again in China until modern times. It is believed that Emperor Wang accumulated much of this holding from Russian Siberia and from Mediterranean coffers through the Silk Road. However, Emperor Wang's reserves were the last major accumulation of Chinese gold until the 1900s.



This gold abacus illustrates China's rise to power as a gold producer

According to author Sang Shang, who produced a concise history of gold in China entitled "China's Gold: The Eternal Treasure": "Before the Qin and Han dynasties, recorded gold rewards or transactions frequently ranged from a few dozen to 100 jin (about 16.1 troy ounces). After the Han Dynasty, this level of abundance was never seen again. There are two theories regarding this occurrence: that what the ancients called gold was actually copper and that gold riches were hidden by owners in the chaos that surrounded the Han Dynasty's collapse (c.220 AD). According to this second theory, pre-Han gold disappeared or was hidden underground. No matter what you believe, it is a fact that after the Han Dynasty the amount of gold in China has continuously been very little."

Sang Shang views China as a "gold poor" country, noting that the total amount of gold held by private citizens and government reserves amounts to between 4,000 to 5,000 tons. China's average per capita gold held by private citizens is one-tenth the global average. For all its appreciation of gold, China never had a major gold coinage and was firmly in the silver standard camp until the time of Mao Zedong in the 20th century.

Today China is going through a gold revival, making up for lost time. China's position in the global gold market is second to none, as the country steadily grows in stature as a producer and consumer. China overtook South Africa to become the world's largest gold producer in 2007, and gold production has risen every year since 2004. China's gold output continues to grow at a rapid pace. This is in sharp contrast to world gold output, which has produced negative growth for most of the last decade.

Gold produced from the Sino Prosper Aohan Qi Mine in Inner Mongolia

Mining operations at Sino Prosper's Aohan Qi Mine contributes to China's gold production output

It is interesting to consider China's recent rise to dominance in the gold industry in the context of historic developments. According to a research report produced by South Africa-based Credit Suisse Standard Securities (CSSS), analysts point out that gold production has not been constant over the last century and is characterized by four cycles, with production peaks in 1912 (710 tons), 1940 (1,250 tons), 1966 (1,280 tons) and 2001 (2,650 tons).

China has played only a modest role in these gold cycles, but the impact of China in the latest cycle is of growing importance in terms of production levels, exploration and demand for gold resources. CSSS notes that the first cycle (1912) was driven by discoveries from North America, Australia and South Africa. The second (1940) resulted in the gold price being revalued to US$35 per ounce, which fuelled exploration from gold producers in North America, Australia, Russia, the Philippines, Mexico and Ghana. The third cycle (1966) was driven again by South Africa in an initiative that eventually secured the country 78% of world production (now 10%).

The current fourth cycle is characterized by resurgence in production from North America and Australia along with an increase in production from the rest of the world. As of 2009, the rest of the world represented two-thirds of global production, of which South America (20%), Asia (11%), China (13%), Russia and CIS countries (13%) and the rest of Africa (9%) took the lead as per CSSS figures. Within this context, the dominance of China is rapidly becoming a driving factor in a fourth cycle, and it is expected that China is about to make a major mark on the history of gold.

China and India lead world consumption of gold jewellery

Conclusion

The next chapter of the history of gold is being written, adding to an incredible legacy that has shaped the history of mankind. The flight to gold as a store of value during periods of instability and unrest will remain an important driving force in the future history of this precious metal. The shine and sparkle of gold jewellery will continue to allure a new generation of gold buyers. After all, the basic reasons for gold's historic popularity for all civilizations have not wavered, and there is little reason to believe that this popularity will decrease in coming decades.

Sino Prosper is well positioned to profit from the current and subsequent waves of gold popularity in the years ahead. Sino Prosper hopes to play a modest role in the writing of this history in the context of China by focusing on its exploration program, extraction prowess and the ability to market this precious metal. The ability of management to achieve this mission lies at the centre of shareholder value creation as gold finds new purpose in the current millennium.

On behalf of the board (the "Board") of directors (the "Directors") of Sino Prosper State Gold Resources Holdings Limited (the "Company"), the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2012 ("Reporting Period") are presented below.

OPERATIONAL REVIEW

The Group has been focusing on various aspects of exploration, development, mining and production of precious metals in China. In addition to operating its existing exploration and production projects, the Group aims to become a major Chinese precious metals producer through acquisition of producing or near-production mining projects that can result in increasing resources and production per share.

The Group is now focusing on the following:

- expansion of production and resources at its Aohan Qi Mine (the Company holds indirectly 70% equity interests in Aohanqi Xinrui En Industry Co., Ltd., ("Aohanqi");

- taking steps to expedite completion of the proposed acquisition of the Qing Jiao Gold Mine (箐腳金礦) (the "Gold Mine") located at Xiongwu Village, Xingyi City, Guizhou Province, the People's Republic of China (the "PRC") (comprising a current mining area of 0.6033 km^2 plus other contiguous gold properties to be provided) with details in the Company's announcement dated 30 December 2011.

- investigating other potential acquisitions of advanced-stage projects with the potential to expand resources and productions per share, thus enhancing shareholder value.

The following sets out the major developments of the Group during the Reporting Period.

Current Operations

Aohan Qi Mine, Inner Mongolia

Since the completion of the acquisition of the 70% equity interest in Aohanqi, the Group has made the following significant progress. Up to 31 March 2012, an aggregate of approximately RMB132 million has been injected by the joint venture parties for capital costs and upgrades, as outlined below. During the fiscal year ended 31 March 2012, Aohanqi generated revenue of approximately RMB8.695 million.

The Aohanqi Processing Facilities achieved its full processing capability of 500 tonnes per day ("tpd") by the end of December 2010, up from the previous operating capacity of 50 tpd. Construction has continued on the upgrading and expansion of office buildings, and other ancillary facilities. However, gold output has been limited due to further construction work in the mine limiting access to feedstock for the plant and due to the need to construct a dry tailings operation to meet new local environmental requirements. As at the date of this report, construction of the new dry tailings facility and other upgrades to the Aohanqi Processing Facilities are essentially completed. However, as a result of these restrictions, the Group achieved very modest cumulative gold production in the 2012 fiscal year with costs that would be unrepresentative of expectations once full operation is resumed.

In the Aohanqi Mine, significant upgrades have been undertaken to enhance safety, increase access to mineralized zones and provide for higher mine output capacity to fill the Aohanqi Processing Facilities. The Group has nearly completed construction of four new vertical access shafts (Shafts #2, #3, #6 and #8). Over 7,000 metres ("m") of new underground tunnels have been constructed for a current total of about 11,000m of existing underground tunnels, compared to only about 4,000m of tunnels when the Company first took over the mine in July 2010. Consistent with the completion of the expanded tunnel system, a new ore transport system is being completed to mechanize ore movement through the mine, to surface and delivery to the processing plant.

Based on new and existing data, the Group's new technical team is developing detailed mining plans to optimize plant operation. The mine expansion and implementation of these plans are expected to be substantially completed in the coming months, allowing for full restoration of processing operations at the planned 500 tpd level.

Over the years 2010 and 2011, since acquisition of the project, the Group has completed an extensive exploration programme that has given the Company a new understanding of the geology of the Aohanqi ore body in the context of the regional geologic setting. Eight major mineralized faults (veins) have been defined to date, with numerous minor veins and "pods of mineralization" encountered. Six veins are currently production ready: Veins #1, #1-3, #3, #8, #25 and #39. One new vein, #39-1, is under development. Additional veins are currently being explored, often exposed by the construction of the new shafts and connecting tunnels.

Overall, the results of the Aohanqi exploration programme have been encouraging. A greater understanding has been gained of the various vein systems that are to be mined at Aohanqi. The results are consistent with the regional mineralization at the Jin Tao and ErDaoGou Mines on either side of the Aohanqi Mine and which have been producing for more than 50 and 40 years, respectively.

The Company considered the production and project delivery results to-date and decided to make significant changes to the Aohanqi Mine local project management team in the later part of 2011. The Board of the Company expects that these changes in the Aohanqi Mine management will improve performance and project delivery going forward.

Aohan Qi Regional Cooperation Agreement

On 10 April 2011, the People's Government of Aohan Banner ("Aohan Banner Government") and Sino Prosper Minerals Investment Limited ("SP Minerals"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group signed a Framework Cooperative Agreement ("Aohan Agreement") to allow the Group to conduct preliminary exploration of unencumbered areas with gold and copper mineral prospects within the Aohan Banner region. Additionally, the parties agreed to cooperate in the consolidation of gold and copper resource assets in such areas, and exploration and development of jade and gem stone resources. SP Minerals may set up production facilities for gold, copper, jade and gem stone resources.

Due to the Group successful investment and development in Aohanqi, the Group has also been invited to examine potential mining opportunities in the larger Chifeng District, which is the administrative government of Aohan Banner.

Zhongyi Weiye Heilongjiang Mines, Heilongjiang Province, PRC ("Zhongyi-Weiye Project")

In 2011, systematic geological, geochemical and geophysical programs have been carried out in the Zhongyi-Weiye Project. Based on those results, further test drilling will be conducted in 2012, supplemented by surface trenching and sampling programs. Latest updates can be found in the Company's voluntary announcement on quarterly operation update of 13 March 2012.

Hebei Province Framework Agreement

The professional consultants hired by the Group completed detailed due diligence work on the property. However, as the due diligence results did not meet the Group's expectations, the Group decided not to proceed with this project.

Proposed Qing Jiao Gold Mine (箐腳金礦) Acquisition & Other Opportunities

On 30 December 2011, the Group announced details on the proposed Qing Jiao Gold Mine Acquisition.

On 19 December 2011, the purchaser, Sino Prosper State Gold HK Limited ("SPSG") and Mr. Leung Ngai Man ("Mr. Leung") entered into the acquisition agreement pursuant to which SPSG has conditionally agreed to acquire and Mr. Leung has agreed to dispose of the sale share and the sale loan of Success State Development Limited, a company incorporated in the BVI, wholly and beneficially owned by Mr. Leung, at a total consideration of RMB550 million (equivalent to approximately HK$674.85 million).

As disclosed in the Company's announcement dated 30 December 2011, in order to prepare information to be presented in the related circular, especially the technical report for the target mine (which is expected to be available in August 2012) and the valuation on the project of Target PRC and the advice from the independent financial adviser, the despatch of the circular is expected to be in about September 2012.

Outlook

The Group continues to seek to improve its performance and capabilities. The Group looks forward to the imminent normalised operation of the Aohanqi Processing Facilities and completion of the safety and expansion of the Aohanqi Mine. The Group also looks forward to reporting on its exploration efforts at Aohanqi and Zhongyi Weiye over the course of the coming year.

The Group has also commenced investigation of a number of new projects with a view to continuing to grow resources and cash flow per share as key drivers of shareholder value.

As one of a very few junior mining companies in Hong Kong and given current market conditions, the Group management considers that proper allocation and preservation of scarce capital resources, together with building long term sustainable operations, is key to the Group's long term success.

Furthermore, having regard to the resources on hand, the Group is looking into developing financial related business.

Update on details of resources previously disclosed publicly

Certain changes to the Listing Rules (including Chapter 18 thereof) took effect from 3 June 2010. Subsequent to that date, the Company issued a circular dated 7 June 2010 to Shareholders concerning the Zhongyi-Weiye Project, which disclosed publicly certain details of the resources of certain mines as well as the exploration permits held by Zhongyi Weiye.

Under Rule 18.15 as contained in Chapter 18 of the Listing Rules, an update on those resources should be included once a year in its annual report. For the purpose of such rule, the Company would confirm that so far as it is aware after making all reasonable enquiries, since the issue of the said circular in June 2010 and up to the date of this annual report, there has not been any material change in the details of such resources other than the exploration works being conducted as disclosed in page 16 of this annual report.

FINANCIAL REVIEW

For the year ended 31 March 2012, the Group recorded total turnover of approximately HK$50,287,000 (year ended 31 March 2011: approximately HK$47,692,000) which mainly comprises a turnover of (i) approximately HK$41,592,000 from the sales of gold (year ended 31 March 2011: approximately HK$43,457,000), (ii) approximately HK$8,261,000 from the sales of gold concentrates and amalgam (year ended 31 March 2011: approximately HK$2,380,000) and (iii) approximately HK$434,000 from the sales of silver concentrates (year ended 31 March 2011: Nil). For the year ended 31 March 2012, the Group did not record any turnover from the sales of fuel oil and chemicals (year ended 31

March 2011: approximately HK$1,855,000). Total Group's turnover increased by approximately 5% as compared to last year. Such increase was mainly attributable to the increase in sales of gold concentrates and amalgam. For the year ended 31 March 2012, the Group's net loss attributable to owners of the Company was approximately HK$46,799,000 (year ended 31 March 2011: approximately HK$44,040,000). The increase in the Group's net loss attributable to owners of the Company was mainly due to (i) the increase in staff costs from approximately HK$31,349,000 in last year to approximately HK$53,215,000 in the Reporting Period and (ii) the increase in depreciation of property, plant and equipment included in profit or loss from approximately HK$1,848,000 in last year to approximately HK$5,153,000 in the Reporting Period.

As at 31 March 2012, the Group recorded total assets of approximately HK$2,114,187,000 (as at 31 March 2011: approximately HK$1,724,737,000), and recorded total liabilities of approximately HK$70,901,000 (as at 31 March 2011: approximately HK$64,393,000). The Group's net asset value as at 31 March 2012 increased by 23.06% to approximately HK$2,043,286,000 as compared to approximately HK$1,660,344,000 as at 31 March 2011. The significant increase in the Group's net asset value was mainly attributable to the HK$400 million generated from the placing of shares of the Company ("Shares").

LIQUIDITY AND FINANCIAL RESOURCES

An exercise of placing and subscription of shares in the Company was conducted in April and May 2011. Please refer to the Company's announcements dated 27 April 2011, 3 May 2011 and 9 May 2011 for further details. Under the exercise, on 9 May 2011, an aggregate of 1,100,000,000 new shares of HK$0.01 each in the capital of the Company were issued at HK$0.38 per subscription share, giving rise to an aggregate proceeds of approximately HK$418 million. The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK$400 million. As at 31 March 2012, approximately HK$197.24 million of the net proceeds were mainly used for the following purposes: (i) approximately HK$147,240,000 (equivalent to approximately RMB120,000,000) as a fully refundable deposit and part of the consideration for the proposed acquisition of the Gold Mine and (ii) approximately HK$50,000,000 as general working capital. The remaining balance of the net proceeds of approximately HK$202.76 million is currently planned to be used for the general working capital of the Group and for future investment opportunities as and when they arise.

As at 31 March 2012, the Group had cash and bank balances of approximately HK$477,218,000 (as at 31 March 2011: approximately HK$311,810,000). As at 31 March 2012, the Group had outstanding borrowings of Nil (as at 31 March 2011: Nil). Its gearing ratio calculated as a ratio of net debt to total equity was Nil (as at 31 March 2011: Nil). As at 31 March 2012, net current assets totaled approximately HK$620,727,000 (as at 31 March 2011: approximately HK$299,195,000) and the current ratio was maintained at a level of approximately 19.4 (as at 31 March 2011: approximately 11.6).

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 2011 and 2012, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2012 HK$'000	2011 HK$'000
Contracted but not provided for:		
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	32,763	41,778
– Exploration and evaluation expenditure	1,285	9,173
– Construction expenditure	18,448	22,892
– Purchase of property, plant and equipment	167	–
	52,663	73,843

At the end of the reporting period, the Company had no significant capital commitments.

FOREIGN EXCHANGE EXPOSURE

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all 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 31 March 2012, the Group employed 336 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.

Mr. LEUNG Ngai Man, 51, is the Chairman of the Group. He was appointed as an executive Director in 2001. Active in China since the 1980s, Mr. Leung has over two decades of experience in the areas of trading, investment, property development and management. Mr. Leung has an extensive network and relationship with numerous PRC companies and authorities. He is currently the Chairman and executive director of China Netcom Technology Holdings Limited (stock code: 8071), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (GEM).

Mr. SUNG Kin Man, 40, graduated from the University of Southern California and obtained a Bachelor's Degree of Science in Business Administration majoring in finance and minoring in marketing. Mr. Sung has been working in the finance industry and international capital markets in Hong Kong and other parts of Asia since 1994. He has extensive management experience and prior to his appointment at the Company, Mr. Sung was an executive director of UBS Securities Asia Ltd., responsible for business in Greater China and had been a director of Global Equity of Merrill Lynch Asia Inc. from 2005 to 2007.

Mr. YEUNG Kit, 49, joined the Group in 2001 and was appointed as an executive Director in 2002. Mr. Yeung is a Director of Konrich (Asia) Limited, Sino Prosper Medical Technology Limited, and Sino Prosper Coal Mining Investment Limited, all being wholly-owned subsidiaries of the Company. Mr. Yeung has over a decade of experience in banking and finance, and nearly two decades of experience in China trade and investment.

Mr. NG Kwok Chu, Winfield, 54, joined the Group as an executive Director in 2009. Mr. Ng has over 20 years' experience in consumer and commercial finance in Hong Kong and China. Mr. Ng is an executive director of China Netcom Technology Holdings Limited (stock code: 8071), listed on GEM, and an independent non-executive director of Long Success International (Holdings) Limited (stock code: 8017), listed on GEM. Mr. Ng was also appointed as an independent non-executive director of China Uptown Group Company Limited (stock code: 2330) listed on the Main Board of the Stock Exchange, on 30 June 2011.

Mr. CAI Wei Lun, 57, joined the Group in 2004 and was appointed as an independent non-executive Director in 2004. Mr. Cai has over two decades of experience in China property. Mr. Cai is also an independent non-executive director of China Netcom Technology Holdings Limited (stock code: 8071), listed on GEM.

Dr. LEUNG Wai Cheung, 47, joined the Group in 2004 and is an independent non-executive Director. Dr. Leung is also an independent non-executive director of Mobicon Group Ltd. (stock code: 1213) listed on the Main Board of the Stock Exchange, and an independent non-executive director of China Netcom Technology Holdings Limited (stock code: 8071), listed on GEM.

Dr. Leung is a qualified accountant and chartered secretary. He graduated from Curtin University with Bachelor in Commerce Degree, majoring in accounting, and has a postgraduate diploma in Corporate Administration, a Master of Professional Accounting Degree from Hong Kong Polytechnic University, a Doctor of Philosophy in Management from Empresarial University of Costa Rica, and a Doctor of Education in educational management from Bulacan State University. He is an associate member of Hong Kong Institute of Certified Public Accountants, CPA Australia, Institute of Chartered Accountants in England & Wales, Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Secretaries, Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is a visiting lecturer of Open University of Hong Kong (LiPACE) and University of Hong Kong (SPACE).

Mr. ZHANG Qingkui, 45, joined the Group in 2011 and was appointed as an independent non-executive Director. Mr. Zhang graduated from the Faculty of Geology of China University of Mining and Technology in 1991 with a bachelor's degree in water engineering and graduated from China University of Geosciences in 2004 with a postgraduate degree in geology. He has successively obtained the titles of and worked as assistant geology engineer, engineer and senior engineer. From 1995 to now, Mr. Zhang has worked with Liaoning Provincial Institute of Geological Exploration, mainly involving in the geological exploration of mines. Mr. Zhang has outstanding achievements in search for mines by geological means, discovering many mines such as Jinchanggou gold mine in Pulandian City, Muyufang gold mine in Zhuanghe City of Liaoning Province, Liangtun gold mine in Gaixian of Liaoning Province, Dalashan iron-copper mine in Zhuanghe City of Liaoning Province, Banzhagou gold mine in Chaoyang City of Liaoning Province, Bayan Huxu medium-sized nickel mine in Xi Ujimqin Qi of Inner Mongolia and Dashishan copper-lead-zinc mine in Keqi of Inner Mongolia etc., and these mines have made contribution to the local economy. In 2004, Mr. Zhang established the project department for market expansion in active response to the request of Liaoning Provincial Institute of Geological Exploration and cooperated with the local mining company, taking charge of many general survey and detailed survey projects. In 2008, Mr. Zhang was in charge of the "Four-Regional Geological Survey Project of 1314.4 Highlands in Inner Mongolia*" (內蒙古1314.4高地等四幅區域地質調查項目) and "Four-Regional Geological Survey Project of 1:50,000 Toudaoqiao of Inner Mongolia*" (內蒙古頭道橋等四幅1：5萬區域地質調查項目) organized by China Geological Survey. Such project is a subproject of a metallogenic belt survey project in the Greater Khingan Range and gets satisfactory initial achievements after checking and accepting by Northeast Project Office of China Geological Survey.

ADVISORY COMMITTEE TO THE BOARD

Mr. Garry STEIN, 66, joined the Group as Executive Advisor in 2009. He was appointed to become the Director of Corporate Development of the Group in 2010. Mr. Stein holds a Bachelor's Degree of Science in Chemistry from the Case Institute of Technology of Case Western Reserve University, a Master's Degree of Applied Science from the University of Toronto in Metallurgy and Material Science, a Master's Degree of Business Administration from the Schulich School of Business, York University and is a fellow member of the Institute of Canadian Banking. He has over 40 years' experience in executive roles in natural resources, banking, investment management, mergers & acquisitions, private equity and strategic planning. Mr. Stein has been actively involved in both inward and outward bound investing and mining in China for many years and has successfully raised and invested substantial funds internationally for such investment projects. Mr. Stein is a director of Salmon River Resources Limited, a company listed on The Toronto Stock Exchange with a significant iron ore deposit in South-Western Australia. Previously, he was a senior executive at Golden China Resources Corporation, a China focused gold mining company once listed on The Toronto Stock Exchange, which was subsequently acquired by Sino Gold Mining Limited, a company listed on The Australia Securities Exchange and The Stock Exchange of Hong Kong Limited.

Mr. Lionel Donald Stewart WINTER, 78, joined the Group as advisor in 2010 and has become ex officio member of the Advisory Committee to the Board in 2010. He is a highly regarded international mining executive and consultant with over 40 years of industry experience. He holds a Bachelor of Applied Science degree (Mining Engineering) from the University of Toronto, and a Master of Science (Applied) degree (Geological Sciences) from McGill University. Among his other professional designations, he is a Registered Professional Geologist (P.Geo.) in both the Province of Ontario and in the Province of British Columbia, Canada. He is a Life Member of Canadian Institute of Mining and Metallurgy (CIM) and a Life Member of Prospectors and Developers Association of Canada (PDAC). He has a broad range of experience including as an educator and was responsible for establishing the mining and geology department at Cambrian College in Sudbury, Ontario, Canada. He has extensive field and operating experience in mine production and supervision, as a field and mine exploration geologist and manager, as a project manager, and as a consulting geologist. He is fully qualified and has acted as the "Qualified Person" responsible for NI 43-101 compliant resource estimates. He has undertaken these activities for both junior exploration and major international companies, public and private, and over a wide range of mineral products, including gold, silver, uranium, diamonds and base metals. His management and consulting roles have involved operations in Canada, South America and China. In particular, he has acted as an independent consultant for a number of mining companies in China and has extensive experience with PRC geology, operating methods and requirements and industry practices. He continues to provide geologic consulting services to a wide range of clients internationally through Winterbourne Explorations Ltd., which he established in 1981.

Mr. W. S. ("Steve") VAUGHAN, 75, joined the Group as advisor in 2010 and has become ex officio member of the Advisory Committee to the Board in 2010. He is a leading international expert on mining and natural resources law, and a Partner in the Business Law Group of major Canadian law firm, Heenan Blaikie. A prominent lawyer with a background in law and geology, which paved the way for a practice in the mining, oil and gas, geothermal, coal bed methane and nuclear industries, he possesses extensive international experience and formidable knowledge. For more than four decades, he has advised and represented Canadian and international companies, served on many governmental advisory committees and, in recent years, has been involved in natural resources transactions in more than 60 countries. He has extensive experience in dealing with projects, companies and agencies in the PRC. He is or has been a member or director of natural resource and mining companies such as the Algoma Central

Corporation, the Apollo Gold Corporation and Western Troy Capital Resources, among others, as well as numerous professional and trade associations including the Toronto Branch of the Canadian Institute of Mining, Metallurgy and Petroleum, the Prospectors and Developers Association of Canada and the joint Toronto Stock Exchange/ Ontario Securities Commission Mining Standards Task Force. Trained in both geology and law, he holds a Bachelor of Science degree, University of New Brunswick; Master of Science degree, McGill University and a Bachelor of Civil Law, University of New Brunswick. His professional affiliations include the American Bar Association; Canadian Bar Association; International Bar Association; Canadian Institute of Mining, Metallurgy and Petroleum; International Mining Professionals Society; Prospectors and Developers Association of Canada and The Law Society of Upper Canada (Ontario). Possessing an exceptional reputation in his field, he is listed as one of the outstanding Canadian experts on mining law in the International Who's Who of Business Lawyers, in Chambers Global 2010: The World's Leading Lawyers for Business and in Lexpert/American Lawyer's Guide to the Leading 500 Lawyers in Canada as well as in the area of natural resources law in The Best Lawyers in Canada (Woodward/White). The Martindale-Hubbell Law Directory gives him its top recommendation and Legal Media Group/Euromoney Institutional Investor ranks him as one of the best project finance and energy-natural resources lawyers in Canada. He has written numerous publications on natural resource financing, mining, international due diligence and related securities law issues published by The Canadian Institute, The Law Society of Upper Canada, the Prospectors and Developers Association of Canada, Insight, the Conference Board of Canada and the Rocky Mountain Mineral Management Law Foundation.

MANAGEMENT

Ms. WU Wei Hua, aged 41, joined the Group in 1996. Ms. Wu is the Finance Director of the Group in China. Ms. Wu holds a Bachelor degree in Textile Engineering from Donghua University in the PRC. She has over 16 years of accounting experience.

Mr. LEE Kai Yat, Jackie, 31, joined the Group as Financial Controller in 2011. Mr. Lee graduated from the University of British Columbia with a Bachelor of Commerce Degree majoring in finance and accounting. Prior to joining the Group, he was employed at KPMG, an international accounting firm, from 2003 to 2010. Mr. Lee is a member of the Association of Chartered Certified Accountants.

Ms. CHIU Ngan Ling Annie, 44, joined the Group as Company Secretary in 2006. Ms. Chiu holds a Bachelor's Degree in Arts majoring in Accountancy and a Master's Degree in Corporate Governance from Hong Kong Polytechnic University. She has nearly two decades of experience in auditing, accounting, finance and company secretarial administration. She is a fellow member of The Association of Chartered Certified Accountants, a fellow member of Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administration of London, The Hong Kong Institute of Chartered Secretaries.

* for identification purpose only

CORPORATE GOVERNANCE & PRACTICES

Sino Prosper State Gold Resources Holdings Limited (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 (the "Board") of directors (the "Directors") of the Company 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 year ended 31 March 2012.

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 2011 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 in the future, the Company has arranged and 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.

The Stock Exchange made certain amendments ("**Amendments**") to the Listing Rules, which related to the Code, practices and reporting. Such revision took effect (or, as the case may be, would take effect) from 1 January 2012, 1 April 2012 or 31 December 2012 respectively. In such connection, the Board adopted a policy statement ("**CG Policy**") regarding corporate governance functions, on 26 March 2012. Under the CG Policy, the following corporate governance functions would be performed by the Board: (a) to review and monitor the training and continuous professional development of Directors and senior management; (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and (c) to review the Company's compliance with the CG code and disclosure in the corporate governance report.

With the introduction of the Code as amended with effect from 1 April 2012 ("**Revised Code**"), the CG Policy was adopted to be in line with the principles and code provisions of the Revised Code. As this Corporate Governance Report covers the period from 1 April 2011 to 31 March 2012 before the Revised Code took effect, all the corporate governance principles and code provisions mentioned herein shall refer to those stated in the Code as applied before 1 April 2012, but not the Revised Code.

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. In response to the Company's specific enquiry made, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 March 2012.

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 March 2012 and up to the date of this annual report is as follows:

Executive Directors

Mr. Leung Ngai Man *(Chairman)*
Mr. Sung Kin Man *(Chief Executive Officer)*
Mr. Ng Kwok Chu, Winfield
Mr. Yeung Kit

Independent Non-Executive Directors

Dr. Leung Wai Cheung
Mr. Cai Wei Lun
Mr. Zhang Qingkui

The biographical details of the Directors are set out on pages 20 to 23 of this annual report. The Board possesses a balance of skills and experience which is appropriate for the requirements of the business of the Group. The opinions raised by the Independent Non-Executive Directors in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of Executive Directors and Independent Non-Executive Directors also provides a strong independent element on the Board, which allows for independent and objective decision making in the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each Independent Non-Executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent during the Reporting Period and up to the date of this report.

As at the date of this annual report, there is no financial relationship between any of the Directors and the members of the senior management, nor is there any business, family or other material or relevant relationships among the members of the Board.

BOARD MEETINGS

It is intended that regular Board meetings should be held at least four times a year, at approximately quarterly intervals to discuss and formulate the overall strategies of the Group, to approve annual and interim results, as well as to review the business operation and the internal control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular Board meetings, the Board will meet on other occasions when a board-level decision on a particular matter is required, such as material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the power to oversee the daily operational matters of the Group to senior management under the supervision of the Board.

For the year ended 31 March 2012, 26 Board meetings were held and the individual attendance of Directors is set out below:–

	Attendance
Executive Directors	
Mr. Leung Ngai Man	17/26
Mr. Sung Kin Man	22/26
Mr. Ng Kwok Chu, Winfield	26/26
Mr. Yeung Kit	16/26
Independent Non-Executive Directors	
Dr. Leung Wai Cheung	13/26
Mr. Cai Wei Lun	16/26
Mr. Zhang Qingkui	12/26

The Directors attended Board meetings in person or through electronic means in accordance with the Articles.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer (the "CEO"). The Chairman determines the board strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. The CEO, with support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group. The Chairman is Mr. Leung Ngai Man and the CEO is Mr. Sung Kin Man throughout the year.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee.

The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy or as an additional member of the Board. New Directors appointed by the Board must retire and be re-elected at the first general meeting after his appointment under the requirements of the Articles.

The selection criteria of new Directors are mainly based on the professional qualification and experience of the candidate for directorship. Nomination procedure has been in place, pursuant to which (i) an interview/meeting will be conducted with the candidates for Directors; and (ii) Board meeting may be held to consider, if thought fit, to approve the appointment of the new Directors. The Chairman of the Board is responsible for nominating any suitable person to join the Board if considered necessary, such nomination will have to be approved by the Board.

On 26 March 2012, a policy statement ("**Nomination Policy**") of the Board regarding nomination of Directors and senior officers, was adopted by the Board. Under the Nomination Policy, the functions reserved by the Board on nomination matters included, among others, (a) to review and assess the performance of the Directors and the independence of independent non-executive Directors in relation to their appointment or reappointment as Directors; and (b) to review at least annually the structure, size and composition (including the skills, knowledge and experience) of the Board and to consider and (if necessary) make changes to complement the Company's corporate strategy.

REMUNERATION COMMITTEE

The Remuneration Committee was established with its terms of reference prepared in accordance with the provisions set out in the Code. The roles and functions of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders of the Company. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all Executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates should be involved in any decision as to his own remuneration.

During the year ended 31 March 2012, 5 remuneration committee meetings were held and the individual attendance of its members is set out below:–

		Attendance
Independent Non-Executive Directors		
Dr. Leung Wai Cheung	Chairman	5/5
Mr. Cai Wei Lun	Member	5/5
Mr. Zhang Qingkui	Member	3/5
Executive Directors		
Mr. Leung Ngai Man	Member	5/5
Mr. Sung Kin Man	Member	5/5

To keep the Remuneration Committee's terms of reference in line with the Amendments, the Board adopted new terms of reference of the Remuneration Committee with effect from 1 April 2012.

AUDIT COMMITTEE

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. In regard to the financial reporting process, the Audit Committee would consider any significant items reflected in the reports and accounts, and any matters that have been raised by the Financial Controller of the Group.

During the Audit Committee meetings, members of the Audit Committee reviewed the Group's annual results for the year ended 31 March 2011 and interim results for the six months period ended 30 September 2011 and reviewed the internal control system of the Group. One of the aforesaid meetings was held with a representative of the Company's auditors being in attendance.

To keep the Audit Committee's terms of reference in line with the Amendments, the Board adopted new terms of reference of the Audit Committee with effect from 1 April 2012.

During the year ended 31 March 2012, 2 Audit Committee meetings were held and the individual attendance of its members is set out below:–

		Attendance
Independent Non-Executive Directors		
Dr. Leung Wai Cheung	Chairman	2/2
Mr. Cai Wei Lun	Member	2/2
Mr. Zhang Qingkui	Member	2/2

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

During the year ended 31 March 2012, fees paid/payable to the Company's external auditors for audit services and non-audit services are set out as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Audit services	980
Non-audit services	235

ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the year ended 31 March 2012 which are prepared in accordance with statutory requirements and applicable accounting standards. The Company's auditors acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the year ended 31 March 2012.

There were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the year ended 31 March 2012.

INTERNAL CONTROLS

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well-defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

The Group is committed to maintaining and upholding good corporate governance practices and internal control system. The Group has engaged external consultants, CT Partners Consultants Limited, to conduct an annual review of the mining business in Inner Mongolia Autonomous Region under COSO Framework and make recommendations for improvement and strengthening of the internal control system. In respect of the year ended 31 March, 2012, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

The Board of (the "Board") of Directors (the "Directors") of Sino Prosper State Gold Resources Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

During the past fiscal year, the principal activity of the Company is investment holding. The principal activities of the Group are investment holding, investment in energy and natural resources (including precious metals) related projects in China. Details of the subsidiaries are set out in note 17 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 March 2012 and the state of affairs of the Group as at that date are set out on pages 39 to 118 of this annual report.

The Directors do not recommend payment of any dividend in respect of the financial year ended 31 March 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 119 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 30 respectively, to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 43 and in note 31 to the consolidated financial statements, respectively.

Under the Companies Law of the Cayman Islands, share premium as received in the share premium account is distributable to shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2012, the reserves of the Company available for distribution to shareholders amounted to approximately HK$1,278,582,000 (2011: approximately HK$950,705,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 82.71%. Purchases from the Group's five largest suppliers accounted for 96.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to 89.6%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customer or supplier.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:

Mr. Leung Ngai Man *(Chairman)*
Mr. Sung Kin Man *(Chief Executive Officer)*
Mr. Ng Kwok Chu, Winfield
Mr. Yeung Kit

Independent Non-Executive Directors:

Dr. Leung Wai Cheung
Mr. Cai Wei Lun
Mr. Zhang Qingkui

In accordance with Article 108(A) of the articles of association ("Articles") of the Company, Messrs Leung Ngai Man, Sung Kin Man and Ng Kwok Chu, Winfield all being Executive Directors of the Company), will retire from their office of Directors by rotation at the forthcoming annual general meeting ("Annual General Meeting") of the Company. Being eligible, Messrs Leung Ngai Man, Sung Kin Man and Ng Kwok Chu, Winfield will offer themselves for re-election as Directors.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 20 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man has entered into a service contract with the Group for an initial term of one year commencing from 3 September 2010 which was automatically renewable for the successive terms of one year but not more than an aggregate of three years from the date of initial commencement, unless terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Sung Kin Man has entered into a service contract with the Group on 4 November 2009 without a definite term of appointment, and may be terminated by either party giving not less than three month's notice in writing to the other party. Mr. Sung is subject to the retirement by rotation requirements as provided under the Company's articles of association.

Mr. Ng Kwok Chu, Winfield has entered into a service contract with the Group on 25 June 2010 for an initial term of two years commencing from 26 June 2010, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Yeung Kit has entered into a service contract with the Group on 1 January 2011 for an initial term of two years commencing from 1 January 2011, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing served by either party on the other.

Dr. Leung Wai Cheung has signed an appointment letter with the Group on 31 March 2012 for an initial term of two years commencing from 1 April 2012, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Cai Wei Lun has signed an appointment letter with the Group on 31 March 2012 for an initial term of two years commencing from 1 April 2012, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Zhang Qingkui has signed an appointment letter with the Group on 31 January 2011 for an initial term of two years commencing from 31 January 2011, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Details of the related party transactions are set out in note 39 to the consolidated financial statements.

Save as disclosed above and (i) the acquisition agreement as mentioned in note 40(a) to the consolidated financial statements (namely, the acquisition by the Group from Mr. Leung of the equity and loan interests in Success State Development Limited at a consideration of RMB550 million and; (ii) the placing agreement as mentioned in note 29(iii) to the consolidated financial statements namely, the placing of 1,100,000,000 shares to Mr. Leung at HK$0.38 per subscription share, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year, nor are there any other connected transactions which are subject to reporting or announcement requirements under the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2012, 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 31 March 2012

	Capacity	Number of ordinary shares *(Note 1)*	Approximate percentage of total issued shares *(Note 2)*
Executive Director:			
Leung Ngai Man	Beneficial owner	151,443,000 *(Note 3)*	19.52

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 775,787,497 Shares in issue as at 31 March 2012 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 31 March 2012.

3. These 151,443,000 Shares were attributable to Leung Ngai Man. Among these shares, (a) 150,643,000 Shares were beneficially owned by Leung Ngai Man; and (b) 800,000 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. Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every 10 of the existing issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into consolidated share having a par value of HK$0.1 per share (the "Share Consolidation"). Every 10 of the options were consolidated into 1 consolidated option and the exercise prices were adjusted accordingly.

(ii) Interests and short positions in underlying Shares as at 31 March 2012

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares *(Note 1)*
Leung Ngai Man	Beneficial owner	800,000 *(Note 2)*	0.10
Sung Kin Man	Beneficial owner	7,000,000 *(Note 3)*	0.90
Yeung Kit	Beneficial owner	640,000 *(Note 4)*	0.08
Cai Wei Lun	Beneficial owner	340,000 *(Note 5)*	0.04

Notes:

1. This percentage is calculated on the basis of 775,787,497 Shares in issue as at 31 March 2012 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 31 March 2012.

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. Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every 10 of the existing issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into consolidated share having a par value of HK$0.1 per share (the "Share Consolidation"). Every 10 of the options were consolidated into 1 consolidated option and the exercise prices were adjusted accordingly.

3. Share options carrying rights to subscribe for 10,000,000 and 60,000,000 Shares were granted to Sung Kin Man on 4 May 2010 and 27 January 2012, respectively pursuant to the share option scheme, which has been adjusted by the Share Consolidation as stated in Note 2 above.

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, which has been adjusted by the Share Consolidation as stated in Note 2 above. As at 31 March 2012, he had 640,000 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, which has been adjusted by the Share Consolidation as stated in Note 2 above.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 31 March 2012, 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 annual 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period and up to the date of the annual report, Mr. Leung Ngai Man (the Chairman of the Board, an executive Director and a substantial Shareholder) was interested in over 30% issued share capital in China Netcom Technology Holdings Limited (stock code: 8071) ("CNT Holdings"). Mr. Ng Kwok Chu, Winfield is also an executive director of CNT Holdings. One of the principal activities of CNT Holdings and its subsidiaries is exploration of mining resources business in the People's Republic of China ("PRC"), which is in actual or potential competition with the mining business of the Group.

Save as disclosed above, during the year and up to the date of this annual report, no Director and his associates are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

ANNUAL CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers that all of the Independent Non-Executive Directors are independent.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES as at 31 March 2012

As at 31 March 2012, 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, and so far as was known to the Directors or chief executive of the Company, were as follows:

Name of Shareholder	Capacity	Number of ordinary Shares *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
EDDS Teall Nathaniel	Investment manager *(Note 3)*	77,711,000(L)	10.02%
WILSON Stuart Michael	Investment manager *(Note 3)*	77,711,000(L)	10.02%
Orchard Capital Partners Limited	Interest of a controlled corporation	77,711,000(L)	10.02%
Orchard Capital Partners (Hong Kong) Limited	Beneficial owner	77,711,000(L)	10.02%
Somercourt Investments Limited	Nominee for another person (other than a bare trustee) *(Note 4)*	54,645,300(L)	7.04%
Somercourt Services	Interest of a controlled corporation	54,645,300(L)	7.04%
George Robinson	Interest of a controlled corporation	54,645,300(L)	7.04%
Credit Suisse Group AG	Interest of a controlled corporation *(Note 5)*	62,035,500(L)	8.00%
Credit Suisse AG	Interest of a controlled corporation	62,035,500(L)	8.00%
Credit Suisse Investments (UK)	Interest of a controlled corporation	62,035,500(L)	8.00%
Credit Suisse Investment Holdings (UK)	Interest of a controlled corporation	62,035,500(L)	8.00%
Credit Suisse Securities (Europe) Limited	Beneficial owner	62,035,500(L)	8.00%
HSBC Global Asset Management (Hong Kong) Limited	Investment manager	46,512,000(L)	6.00%

Notes:

1. The letter "L" represents the entity's long position in the Shares of the Company. The letter "P" represents the entity's lending pool in the Shares of the Company.
2. This percentage is calculated on the basis of 775,787,497 Shares in issue as at 31 March 2012 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 31 March 2012.
3. Both EDDS Teall Nathaniel and WILSON Stuart Michael held 33% interest of Orchard Capital Partners Limited which in turn was the holding company of Orchard Capital Partners (Hong Kong) Limited which held 77,711,000 Shares.
4. Somercourt Investments Limited was interested in 54,645,300 Shares. It was a wholly owned subsidiary of Somercourt Services which in turn was 69.05% controlled by George Robinson.
5. Credit Suisse Securities (Europe) Limited, the beneficial owner of 54,435,000 Shares, was a wholly owned subsidiary of Credit Suisse Investments Holdings (UK) which in turn was a wholly owned subsidiary of Credit Suisse Investments (UK) which in turn was a wholly owned subsidiary of Credit Suisse AG which in turn was a wholly-owned subsidiary of Credit Suisse Group AG.

Save as disclosed above, as at 31 March 2012, 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.

EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate, and is reviewed and determined by the Directors regularly with reference to the duties, responsibility and performance of individual employees, the legal framework and the market conditions.

The emolument of the Directors is subject to review by the Remuneration Committee of the Board. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

Details of Directors' and employees' emoluments are set out in notes 10, 11 and 12, respectively to the consolidated financial statements.

A share option scheme was adopted by the Company on 25 April 2002 to grant share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. As the share option scheme adopted on 25 April 2002 expired on 15 May 2012, a new share option scheme was adopted by the Company on 20 April 2012. Details of the share option scheme are set out in note 30 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

As at 31 March 2012, the Company had 28,360,000 share options outstanding under the share option scheme, which represented 3.66% of the shares in issue as at 31 March 2012. No share options has been exercised during the year.

CONTRACT OF SIGNIFICANCE

During the year, the Group did not enter into any contract of significance with the controlling Shareholder or any of its subsidiaries, nor was there any contract of significance for the provision of services to the Group by the controlling Shareholder or any of its subsidiaries.

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

During the Reporting Period the Company repurchased a total of 101,970,000 ordinary shares of HK$0.01 each at a total consideration of approximately HK$16,571,000. The highest and lowest prices paid for such purchases are HK$0.214 and HK$0.115 per share of HK$0.01 each, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

TAXATION RELIEF

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float for the year ended 31 March 2012.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

AUDIT COMMITTEE'S REVIEW

The annual results of the Group for the year ended 31 March 2012 have been reviewed by the Audit Committee.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Leung Ngai Man
Chairman

Hong Kong, 28 June 2012

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Prosper State Gold Resources Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 118, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 28 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	5	50,287	47,692
Cost of sales		(49,020)	(50,799)
Gross profit/(loss)		1,267	(3,107)
Other income and gains	7	25,997	37,122
General and administrative expenses		(78,400)	(60,224)
Loss on early redemption of promissory note		–	(18,414)
Finance costs	8	(19)	(3,562)
Loss before tax		(51,155)	(48,185)
Income tax (expense)/credit	9	(566)	198
Loss for the year	10	(51,721)	(47,987)
Other comprehensive income			
Exchange differences on translating foreign operations		47,799	40,296
Reclassification adjustment relating to foreign operation disposed of during the year		(2,651)	–
Other comprehensive income for the year, net of income tax		45,148	40,296
Total comprehensive expense for the year		(6,573)	(7,691)
Loss attributable to:			
Owners of the Company		(46,799)	(44,040)
Non-controlling interests		(4,922)	(3,947)
		(51,721)	(47,987)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(6,266)	(11,112)
Non-controlling interests		(307)	3,421
		(6,573)	(7,691)
Loss per share	14		(Restated)
Basic and diluted (HK cents per share)		(6.08)	(7.00)

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	79,437	78,977
Mining rights	18	147,531	144,211
Exploration and evaluation assets	19	1,139,157	1,083,902
Goodwill	20	93,547	90,333
		1,459,672	1,397,423
Current assets			
Inventories	21	16,054	6,815
Trade and other receivables	22	161,243	8,688
Amount due from a non-controlling interest of a subsidiary	23	–	1
Bank balances and cash	24	477,218	311,810
		654,515	327,314
Current liabilities			
Trade and other payables	25	24,648	18,956
Amount due to a non-controlling interest of a subsidiary	26	9,140	8,826
Amounts due to related companies	26	–	337
		33,788	28,119
Net current assets		620,727	299,195
Total assets less current liabilities		2,080,399	1,696,618
Non-current liabilities			
Provision for restoration costs	27	390	376
Deferred tax liabilities	28	36,723	35,898
		37,113	36,274
Net assets		2,043,286	1,660,344
Capital and reserves			
Share capital	29	77,579	67,599
Reserves		1,836,703	1,463,434
Equity attributable to owners of the Company		1,914,282	1,531,033
Non-controlling interests		129,004	129,311
Total equity		2,043,286	1,660,344

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Leung Ngai Man	Yeung Kit
Director	*Director*

Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	17	656,554	656,554
Current assets			
Amounts due from subsidiaries	17	923,859	548,747
Bank balances and cash		121	607
		923,980	549,354
Current liabilities			
Other payables and accruals	25	1,389	1,821
Amounts due to subsidiaries	17	139,374	109,857
		140,763	111,678
Net current assets		783,217	437,676
Net assets		1,439,771	1,094,230
Capital and reserves			
Share capital	29	77,579	67,599
Reserves	31	1,362,192	1,026,631
Total equity		1,439,771	1,094,230

Leung Ngai Man	Yeung Kit
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Foreign currency translation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2010	26,621	461,073	2,440	250,391	61,375	12,640	32,136	–	(132,191)	714,485	356,348	1,070,833
Loss for the year	–	–	–	–	–	–	–	–	(44,040)	(44,040)	(3,947)	(47,987)
Other comprehensive income for the year	–	–	–	–	–	–	32,928	–	–	32,928	7,368	40,296
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	32,928	–	(44,040)	(11,112)	3,421	(7,691)
Non-controlling interests arising on acquisition of subsidiaries *(Note 34)*	–	–	–	–	–	–	–	–	–	–	30,414	30,414
Capital contribution by non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	16,046	16,046
Issue of new ordinary shares *(Note 29 (i))*	28,880	519,840	–	–	–	–	–	–	–	548,720	–	548,720
Transaction costs attributable to issue of new ordinary shares	–	(19,585)	–	–	–	–	–	–	–	(19,585)	–	(19,585)
Recognition of equity-settled share-based payments	–	–	–	–	1,911	–	–	–	–	1,911	–	1,911
Conversion of convertible bonds *(Note 29 (ii))*	12,098	286,251	–	(250,391)	–	–	–	–	–	47,958	–	47,958
Disposal of subsidiaries	–	–	–	–	–	–	(433)	–	–	(433)	(263)	(696)
Acquisition of non-controlling interests *(Note 35)*	–	–	–	–	–	–	–	249,089	–	249,089	(276,655)	(27,566)
Release of reserve upon lapse of warrants	–	–	(2,440)	–	–	–	–	–	2,440	–	–	–
Balance at 31 March 2011	67,599	1,247,579	–	–	63,286	12,640	64,631	249,089	(173,791)	1,531,033	129,311	1,660,344

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Foreign currency translation reserve HK$'000	Capital redemption reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2011	67,599	1,247,579	63,286	12,640	64,631	–	249,089	(173,791)	1,531,033	129,311	1,660,344
Loss for the year	–	–	–	–	–	–	–	(46,799)	(46,799)	(4,922)	(51,721)
Other comprehensive income for the year	–	–	–	–	40,533	–	–	–	40,533	4,615	45,148
Total comprehensive income/(expense) for the year	–	–	–	–	40,533	–	–	(46,799)	(6,266)	(307)	(6,573)
Issue of new ordinary shares *(Note 29 (iii))*	11,000	407,000	–	–	–	–	–	–	418,000	–	418,000
Transaction costs attributable to issue of new ordinary shares	–	(18,464)	–	–	–	–	–	–	(18,464)	–	(18,464)
Recognition of equity-settled share-based payments	–	–	6,664	–	–	–	–	–	6,664	–	6,664
Repurchase of ordinary shares *(Note 29 (iv))*	(1,020)	(16,571)	–	–	–	1,020	–	–	(16,571)	–	(16,571)
Transaction costs attributable to repurchase of ordinary shares	–	(114)	–	–	–	–	–	–	(114)	–	(114)
Balance at 31 March 2012	77,579	1,619,430	69,950	12,640	105,164	1,020	249,089	(220,590)	1,914,282	129,004	2,043,286

Notes:

(i) Other reserve represents the difference between the consideration paid for the additional interests in a subsidiary and the non-controlling interests' share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition of the non-controlling interests.

(ii) Capital redemption reserve represents the nominal value of the share capital of the Company repurchased and canceled.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss for the year		(51,721)	(47,987)
Adjustments for:			
Income tax expense/(credit) recognized in profit or loss		566	(198)
Finance costs recognized in profit or loss		19	3,562
Interest income		(9,598)	(2,408)
Gain on disposal of property, plant and equipment		(9,680)	(14)
Gain on disposal of subsidiaries	36	(3,503)	(16,158)
Loss on early redemption of promissory note		–	18,414
Depreciation of property, plant and equipment		5,153	1,848
Amortization of mining rights		1,793	793
Provision for impairment of other receivables		3,606	–
Impairment loss of inventories		717	1,614
Expense recognized in respect of equity-settled share-based payments		6,664	1,911
		(55,984)	(38,623)
Movements in working capital			
Increase in inventories		(9,956)	(5,135)
Increase in trade and other receivables		(6,272)	(11,310)
Decrease in amount due from a non-controlling interest of a subsidiary		1	21
Increase/(decrease) in trade and other payables		5,304	(743)
Decrease in amount due to a non-controlling interest of a subsidiary		–	(11,101)
(Decrease)/increase in amounts due to related companies		(337)	337
Cash used in operations		(67,244)	(66,554)
Interest paid		(19)	–
Net cash used in operating activities		(67,263)	(66,554)
Cash flows from investing activities			
Interest received		6,924	2,408
Payments for property, plant and equipment		(30,160)	(60,983)
Proceeds from disposal of property, plant and equipment		36,237	381
Deposit paid for acquisition of subsidiaries		(144,740)	–
Payments for exploration and evaluation assets		(16,537)	(17,758)
Net cash outflow on acquisition of subsidiaries	34	–	(154,446)
Net cash inflow on disposal of subsidiaries	36	282	14,724
Net cash used in investing activities		(147,994)	(215,674)

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from financing activities			
Proceeds from issue of new ordinary shares	29	418,000	548,720
Payment for transaction costs attributable to issue of new ordinary shares		(18,464)	(19,585)
Payment for repurchase of ordinary shares	29	(16,571)	–
Payment for transaction costs attributable to repurchase of ordinary shares		(114)	–
Repayment of promissory note		–	(125,000)
Acquisition of additional interests in a subsidiary	35	–	(27,566)
Capital contribution by non-controlling interests of a subsidiary		–	16,046
Interest paid		–	(1,460)
Net cash generated by financing activities		382,851	391,155
Net increase in cash and cash equivalents		167,594	108,927
Cash and cash equivalents at the beginning of year		311,810	216,030
Effect of foreign exchange rate changes, net		(2,186)	(13,147)
Cash and cash equivalents at the end of year		477,218	311,810
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		477,218	311,810

1. General

Sino Prosper State Gold Resources Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are investment holding, investment in energy and natural resources (including precious metals) related projects in China.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), HKFRS(s), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 cycle[4]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	Government Loans[4]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1] Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognizes the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts of fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. Significant Accounting Policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The policy described above is applied to all business combinations that take place on or after 1 April 2010.

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. Significant Accounting Policies (continued)

Share-based payment arrangements (continued)

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement (continued)

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to accumulated losses.

Share options granted to consultants in an equity-settled share-based payment transactions

Share options issued in exchange for goods or services are measured at fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of goods or services received are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

Taxation

Income tax represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write-off the cost of assets (other than construction in progress and mining structures) less their residual values over their useful lives, using the straight-line method, as follows:

Leasehold land	:	Over the term of the lease
Buildings	:	Over the shorter of the term of lease or 50 years
Buildings at the mining site	:	5 – 7 years
Leasehold improvements	:	5 years
Plant and machinery	:	2 – 7 years
Motor vehicles	:	3 – 8 years
Furniture, fixtures and equipment	:	3 – 5 years

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Mining structures are included in property, plant and equipment and are depreciated on the unit of production method utilizing only recoverable reserves as the depletion base and a proportion of resources available to be mined by the production equipment to the extent that such resources are considered to be economically recoverable.

Construction in progress represents buildings, mining structures, and plant and equipment in the course of construction for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Mining rights

Mining rights are initially measured at cost. The carrying amount of exploration and evaluation assets is reclassified to mining rights when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortization and any identified impairment losses. The mining rights with finite useful lives are amortized on a unit of production basis over the estimated economic reserve of the mine.

Exploration and evaluation assets

Exploration and evaluation assets are recognized at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognized exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification, and any impairment loss is recognized in profit or loss.

3. Significant Accounting Policies (continued)

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of tangible and intangible assets other than goodwill and exploration and evaluation assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant Accounting Policies (continued)

Impairment of tangible and intangible assets other than goodwill and exploration and evaluation assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of gold are determined using the first-in, first-out method. The costs of raw materials and work in progress, mainly comprising purchase costs, direct labor, other direct costs and an appropriate proportion of related production overheads, are determined using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Significant Accounting Policies (continued)

Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for restoration cost

The Group is required to incur costs for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognized when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured by reference to relevant rules and regulations applicable in the People's Republic of China (the "PRC") at the end of the reporting period, and is discounted to their present value where the effect is material.

Restoration cost is provided in the period in which the obligation is identified and is capitalized to the cost of mining structures. The cost is charged to profit or loss through depreciation of the assets, which are depreciated using the unit of production method based on actual production volume over the estimate economic reserve of the mine.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a non-controlling interest of a subsidiary and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity instruments.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a non-controlling interest of a subsidiary and amounts due to related companies) are subsequently measured at amortized cost using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has controls or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Renewal of exploration and mining right permits

The Group owns certain exploration permits and a mining right permit with licence period of 2 to 3 years at date of issue which will be expired in year 2012 to 2015, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration and mining right permits upon the expiration at minimal costs.

If the Group is not able to obtain approval for renewal upon the expiration of its exploration and mining right permits, the carrying amounts of the exploration and evaluation assets and mining rights of approximately HK$1,139,157,000 (2011: HK$1,083,902,000) and HK$147,531,000 (2011: HK$144,211,000) respectively as at 31 March 2012 might be significantly reduced and the Group will increase amortization charges of mining rights and depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down the carrying amounts of the exploration and evaluation assets and the mining rights, which significant impairment loss might be recognized.

Carrying value of mining rights

The Group tests whether the mining rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the mining rights exceeds its recoverable amount, in accordance with accounting policies stated in note 3 to the consolidated financial statements.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Critical judgments in applying accounting policies (continued)

Carrying value of mining rights (continued)

As at 31 March 2011 and 2012, there was no impairment indication noted for the mining rights. Had impairment test been performed, the recoverable amounts of the cash-generating unit to which the mining rights belong, would have been determined based on value in use calculations using cash flow projections, which would have been compiled based on financial budgets approved by senior management and management's assumptions and estimates including forecast of selling price, discount rate and inflation rate.

Impairment of exploration and evaluation assets

The carrying amount of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Based on the judgment of the directors there was no impairment on the exploration and evaluation assets and no impairment loss is recognized for the years ended 31 March 2011 and 2012. Management reassesses the impairment of exploration and evaluation assets at the end of the reporting period.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Ore reserve and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of future operating performance, future capital requirements, short and long term commodity prices, and short and long term exchange rates. Changes in reserves and resources estimates impact the carrying amounts of property, plant and equipment, provision for restoration costs, as well as the amounts of depreciation and amortization recognized.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2012, the carrying amount of goodwill is approximately HK$93,547,000 (2011: HK$90,333,000). Details of the recoverable amount calculation are disclosed in note 20.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Provision for restoration costs

Provision for restoration costs has been estimated by the directors by reference to the current regulatory requirements and the area affected estimated by the management. Significant changes in the regulatory requirements in relation to such costs will result in changes to the provision amount from period to period. In addition, the expected timing of cash outflows of such restoration costs are estimated based on the expected completion date of the mines and is subject to any significant changes to the production plan. As at 31 March 2012, the balance of provision for restoration cost was approximately HK$390,000 (2011: HK$376,000).

Valuation of share options granted

The fair value of share options granted to employees were calculated using the Black-Scholes Option Pricing Model based on the Group's management's significant inputs into calculation including an estimated life of share options granted, based on exercise restrictions and behavioral consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition as at the end of the reporting period and the historical experience of manufacturing and selling of products of similar nature.

5. Revenue

An analysis of the Group's revenue for the year is as follows:

	2012 HK$'000	2011 HK$'000
Revenue from sales of fuel oil and chemicals	–	1,855
Revenue from sales of gold concentrates and amalgam	8,261	2,380
Revenue from sales of silver concentrates	434	–
Revenue from sales of gold	41,592	43,457
	50,287	47,692

6. Segment Information

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the Company's directors, being the chief operating decision maker (the "CODM") of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

The 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 China. 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 consolidated financial statements.

The total net segment loss is equivalent to total comprehensive expense for the year as shown in the 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 consolidated statement of financial position.

Details of interest income, interest expenses and depreciation in relation to the operating segment are disclosed in notes 7, 8 and 10 below respectively.

Details of additions to non-current assets are disclosed in notes 16, 18, 19 and 20.

The Company is domiciled in the Cayman Islands with the Group's major operations in Hong Kong and the PRC. Total turnover and revenue as disclosed in note 5 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.

6. Segment Information (continued)

Geographical information

The Group principally operates in Hong Kong and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	41,592	43,457	1,760	28,353
PRC	8,695	4,235	1,457,912	1,369,070
	50,287	47,692	1,459,672	1,397,423

Information about major customers

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group is as follows:

	2012	2011
	HK$'000	HK$'000
Customer A	41,592	43,457
Customer B	6,796	N/A[1]
	48,388	43,457

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. Other Income and Gains

	2012 HK$'000	2011 HK$'000
Interest income on bank deposits	9,598	2,408
Net foreign exchange gains	2,742	18,531
Gain on disposal of property, plant and equipment	9,680	14
Gain on disposal of subsidiaries *(Note 36)*	3,503	16,158
Sundry income	474	11
	25,997	37,122

8. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on bank overdraft	19	–
Effective interest expense on convertible bonds	–	886
Effective interest expense on promissory note	–	2,676
	19	3,562

No interest was capitalized during the year ended 31 March 2012 (2011: Nil).

9. Income Tax Expense/(Credit)

Income tax recognized in profit or loss

	2012 HK$'000	2011 HK$'000
Current tax:		
PRC withholding tax	1,014	–
Deferred tax:		
Current year	(448)	(198)
Total income tax expense/(credit) recognized in profit or loss	566	(198)

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for both years. 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 both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax expense/(credit) for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Loss before tax	(51,155)	(48,185)
Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	(8,441)	(7,951)
Tax effect of expenses not deductible for tax purpose	7,882	11,566
Tax effect of income not taxable for tax purpose	(4,583)	(4,337)
Tax effect of deductible temporary differences not recognized	(171)	69
Tax effect of estimated tax losses not recognized	6,793	449
Effect of different tax rates of group entities operating in other jurisdictions	(1,928)	6
PRC witholding tax	1,014	–
Income tax expense/(credit) for the year	566	(198)

10. Loss for the Year

Loss for the year has been arrived at after charging:

	2012 HK$'000	2011 HK$'000
Directors' emoluments *(Note 11)*	26,046	17,405
Employee benefits expense (excluding directors' emoluments):		
– Salaries and other benefits *(Note (i))*	22,725	12,410
– Contributions to retirement benefits schemes *(Note (i))*	943	325
– Equity-settled share-based payments	3,501	1,209
Total staff costs	53,215	31,349
Auditors' remuneration	980	980
Amortization of mining rights	1,793	793
Cost of inventories recognized as expense	49,020	50,799
Depreciation of property, plant and equipment *(Note (ii))*	5,153	1,848
Expense in relation to share options granted to consultants	35	99
Provision for impairment of other receivables	3,606	–
Impairment loss of inventories	717	1,614
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	3,541	2,486
– Equipment	41	18
Expense capitalized in construction in progress:		
– Salaries and other benefits	934	3,240
– Contributions to retirement benefits schemes	45	161
– Depreciation of property, plant and equipment	189	193

Notes:

(i) Amount excluded expenses capitalized in construction in progress. Salaries and other benefits of approximately HK$6,774,000 were capitalized in inventories for the year ended 31 March 2012 (2011: HK$2,790,000).

(ii) Amount excluded expenses capitalized in construction in progress. Depreciation of property, plant and equipment of approximately HK$2,220,000 was capitalized in inventories for the year ended 31 March 2012 (2011: HK$539,000).

11. Directors' Emoluments

The emoluments paid or payable to each of the seven (2011: nine) directors were as follows:

For the year ended 31 March 2012

	Fees HK$'000	Salaries and other benefits HK$'000	Equity-settled share-based payments HK$'000	Contributions to retirement benefits schemes HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors						
Mr. Leung Ngai Man	–	6,960	–	12	5,000	11,972
Mr. Sung Kin Man	–	5,000	3,128	12	5,000	13,140
Mr. Yeung Kit	–	480	–	12	40	532
Mr. Ng Kwok Chu, Winfield	–	240	–	12	20	272
Independent non-executive directors						
Dr. Leung Wai Cheung	120	–	–	–	10	130
Mr. Cai Wei Lun	–	–	–	–	–	–
Mr. Zhang Qingkui *(Note (i))*	–	–	–	–	–	–
Total emoluments	120	12,680	3,128	48	10,070	26,046

For the year ended 31 March 2011

	Fees HK$'000	Salaries and other benefits HK$'000	Equity-settled share-based payments HK$'000	Contributions to retirement benefits schemes HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors						
Mr. Leung Ngai Man	–	5,060	–	12	3,000	8,072
Mr. Sung Kin Man	–	5,000	603	12	2,500	8,115
Mr. Yeung Kit	–	480	–	12	60	552
Mr. Ng Kwok Chu, Winfield	–	210	–	11	60	281
Mr. Wong Wa Tak *(Note (ii))*	–	200	–	5	–	205
Independent non-executive directors						
Dr. Leung Wai Cheung	120	–	–	–	10	130
Mr. Cai Wei Lun	–	–	–	–	–	–
Mr. Zhang Qingkui *(Note (i))*	–	–	–	–	–	–
Mr. Chan Sing Fai *(Note (ii))*	50	–	–	–	–	50
Total emoluments	170	10,950	603	52	5,630	17,405

Notes:

(i) Appointed on 31 January 2011.

(ii) Retired on 30 August 2010.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the year ended 31 March 2012 (2011: Nil).

12. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	5,314	4,516
Contributions to retirement benefits schemes	68	76
Equity-settled share-based payments	3,501	1,209
Discretionary bonus	2,040	900
	10,923	6,701

Their emoluments fell within the following bands:

	Number of employees	
	2012	2011
HK$1,500,001 – HK$2,000,000	1	2
HK$3,000,001 – HK$3,500,000	–	1
HK$4,000,001 – HK$4,500,000	1	–
HK$5,000,001 – HK$5,500,000	1	–

During the year ended 31 March 2012, no emoluments were paid by the Group to any of the five highest paid individuals including directors, as an inducement to join or upon joining the Group (2011: HK$400,000 was paid to Mr. Garry Stein) or as compensation for loss of office (2011: Nil).

13. Retirement Benefit Schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

13. Retirement Benefit Schemes (continued)

During the year ended 31 March 2012, the total amount contributed by the Group to the schemes and charged to the consolidated statement of comprehensive income amounted to approximately HK$1,036,000 (2011: HK$538,000). At 31 March 2012, there were no forfeited contributions available for the Group to offset contributions payable in future years (2011: Nil).

14. Loss Per Share

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

	2012 HK$'000	2011 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(46,799)	(44,040)

Number of shares

	2012 '000	2011 '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	769,426	631,922

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the year ended 31 March 2011 have been retrospectively adjusted for the effect of the consolidation of shares as detailed in note 29(v).

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.

15. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 31 March 2012 includes a loss of approximately HK$24,246,000 (2011: HK$42,611,000) which has been dealt with in the financial statements of the Company.

16. Property, Plant and Equipment

Group

	Leasehold land HK$'000	Buildings HK$'000	Buildings at the mining site HK$'000	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost										
Balance at 1 April 2010	–	–	–	207	–	–	2,185	639	–	3,031
Additions	22,960	3,693	–	–	1,199	3,865	5,099	201	24,159	61,176
Disposals	–	–	–	–	–	–	(722)	–	–	(722)
Transferred from construction in progress	–	–	15,147	–	11,151	–	–	–	(26,298)	–
Derecognized on disposal of subsidiaries	–	–	–	–	–	–	–	(153)	–	(153)
Acquired on acquisition of subsidiaries *(Note 34)*	–	–	296	–	363	2,208	–	26	13,985	16,878
Effect of foreign currency exchange differences	–	–	375	–	311	175	100	12	465	1,438
Balance at 31 March 2011	22,960	3,693	15,818	207	13,024	6,248	6,662	725	12,311	81,648
Additions	–	–	236	99	27	2,104	1,782	477	25,624	30,349
Disposals	(22,960)	(3,693)	(88)	–	–	(18)	(219)	–	–	(26,978)
Transferred from construction in progress	–	–	1,616	–	33	3	–	–	(1,652)	–
Derecognized on disposal of subsidiaries	–	–	–	(52)	–	–	–	(223)	–	(275)
Effect of foreign currency exchange differences	–	–	580	–	464	242	167	15	668	2,136
Balance at 31 March 2012	–	–	18,162	254	13,548	8,579	8,392	994	36,951	86,880

16. Property, Plant and Equipment (continued)

Group (continued)

	Leasehold land HK$'000	Buildings HK$'000	Buildings at the mining site HK$'000	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment										
Balance at 1 April 2010	–	–	–	207	–	–	463	405	–	1,075
Eliminated on disposals of assets	–	–	–	–	–	–	(355)	–	–	(355)
Eliminated on disposal of subsidiaries	–	–	–	–	–	–	–	(128)	–	(128)
Depreciation expense	272	44	388	–	9	463	748	117	–	2,041
Effect of foreign currency exchange differences	–	–	9	–	–	12	12	5	–	38
Balance at 31 March 2011	272	44	397	207	9	475	868	399	–	2,671
Eliminated on disposals of assets	(272)	(44)	(31)	–	–	(17)	(57)	–	–	(421)
Eliminated on disposal of subsidiaries	–	–	–	(52)	–	–	–	(192)	–	(244)
Depreciation expense	–	–	2,602	13	21	1,315	1,234	157	–	5,342
Effect of foreign currency exchange differences	–	–	39	–	1	29	20	6	–	95
Balance at 31 March 2012	–	–	3,007	168	31	1,802	2,065	370	–	7,443
Carrying amounts										
Balance at 31 March 2012	–	–	15,155	86	13,517	6,777	6,327	624	36,951	79,437
Balance at 31 March 2011	22,688	3,649	15,421	–	13,015	5,773	5,794	326	12,311	78,977

Notes:

(i) Amongst the depreciation expense of HK$5,342,000 (2011: HK$2,041,000), approximately HK$189,000 (2011: HK$193,000) and HK$2,220,000 (2011: HK$539,000) were capitalized in construction in progress and inventories respectively, and approximately HK$2,933,000 (2011: HK$1,309,000) was included in general and administrative expenses.

(ii) Buildings at the mining site are located in the PRC.

(iii) At 31 March 2011, leasehold land and buildings with carrying amounts of HK$26,337,000 were situated in Hong Kong under medium-term lease.

17. Investments in Subsidiaries

Company

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	78	78
Capital contributions	656,476	656,476
	656,554	656,554

The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed dates of repayment.

Particulars of the Company's principal subsidiaries at 31 March 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Particulars of issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
			Direct	Indirect	
Sino Prosper Group Limited	British Virgin Islands ("BVI")	10,000 ordinary shares of US$1 each	100%	–	Investment holding
Nice Think Group Limited	BVI	1 ordinary share of US$1	–	100%	Investment holding
Favour South Limited	BVI	1 ordinary share of US$1	–	100%	Investment holding
Sino Prosper (States Gold) Investment Limited	Hong Kong	10 ordinary shares of HK$1 each	–	100%	Investment holding
Sino Prosper Management Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Provision of administrative services
Sino Prosper Minerals Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding and provision of administrative services
Victor Bright Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Sino Prosper Medical Technology Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding and provision of administrative services

17. Investments in Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Particulars of issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
			Direct	Indirect	
Sino Prosper State Gold HK Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Great Surplus Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) *(Note (i))*	PRC	Renminbi ("RMB") 23,310,854 (2011: RMB14,730,168)	–	92%	Exploration and mining of gold
大連廣泓礦業技術咨詢有限公司 *(Note (ii))*	PRC	RMB6,500,000 (2011: RMB5,000,000)	–	100%	Investment holding
敖漢旗鑫瑞恩礦業有限責任公司 (transliterated as Aohanqi Xinrui En Industry Co., Ltd. *(Note (iii))*	PRC	RMB50,000,000	–	70%	Exploration and mining of gold

Notes:

(i) Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd. ("Heilongjiang Zhongyi Weiye") was a sino-foreign equity joint venture company established in the PRC and was amended to become a sino-foreign cooperative joint venture enterprise. The current business scope includes wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained.

(ii) 大連廣泓礦業技術咨詢有限公司 is a limited liability company established in the PRC. The current business scope includes mining exploration, technical advise, economic and information consultancy services.

(iii) Aohanqi Xinrui En Industry Co., Ltd. is a sino-foreign cooperative joint venture established under the PRC law. The current business scope includes gold mine exploitation, selection of gold and sale of mineral products (which are permitted by law, rules and regulations, requirements by State Affairs Office of the PRC and cannot engage in those not allowed as said).

(iv) None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

18. Mining Rights

Group

	HK$'000
Cost	
Balance at 1 April 2010	–
Acquired on acquisition of subsidiaries *(Note 34)*	139,861
Effect of foreign currency exchange differences	5,162
Balance at 31 March 2011	145,023
Effect of foreign currency exchange differences	5,159
Balance at 31 March 2012	**150,182**
Accumulated amortization	
Balance at 1 April 2010	–
Charged for the year	793
Effect of foreign currency exchange differences	19
Balance at 31 March 2011	812
Charged for the year	1,793
Effect of foreign currency exchange differences	46
Balance at 31 March 2012	**2,651**
Carrying values	
Balance at 31 March 2012	**147,531**
Balance at 31 March 2011	144,211

Mining rights were acquired through the acquisition of Favour South Limited during the year ended 31 March 2011 as set out in note 34.

The mining rights represent the rights to conduct mining activities pertains to gold mine ores in the PRC. The mining rights are amortized on a unit of production basis over the estimated economic reserve of the mine. Effective amortization rate for the year approximate to 1.2% (2011: 0.6%).

The mining rights will be expired in May 2015. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew the mining rights upon the expiration at minimal costs.

19. Exploration and Evaluation Assets

Group

	HK$'000
Cost	
Balance at 1 April 2010	1,021,072
Additions	17,758
Effect of foreign currency exchange differences	45,072
Balance at 31 March 2011	1,083,902
Additions	16,537
Effect of foreign currency exchange differences	38,718
Balance at 31 March 2012	**1,139,157**

The exploration and evaluation assets include geological, geochemical and geophysical costs, and drilling and exploration expenses directly attributable to exploration activities.

The Group through its 92% owned subsidiary, Heilongjiang Zhongyi Weiye, is the holder of the exploration permits of five mines located in the PRC with licence period of 2 to 3 years at date of issue which will be expired in year 2012 and 2013, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration permits upon the expiration at minimal costs.

20. Goodwill

Group

	HK$'000
Cost and carrying amounts	
Balance at 1 April 2010	–
Amount recognized on acquisition of subsidiaries occurring during the year *(Note 34)*	87,435
Effect of foreign currency exchange differences	2,898
Balance at 31 March 2011	90,333
Effect of foreign currency exchange differences	3,214
Balance at 31 March 2012	93,547

Impairment testing of goodwill

For the purpose of impairment review, goodwill set out above is allocated to the cash-generating unit ("CGU"), the subsidiaries operating gold mining activities in the PRC as follows:

	2012 HK$'000	2011 HK$'000
Gold mining activities	93,547	90,333

The recoverable amount of the gold mining activities' CGU is determined on the basis of value in use calculation. Value in use calculation is based on a discount rate of 46.9% (2011: 35.4%) and cash flow projections prepared from financial forecasts approved by the directors covering a period of 5 years until the mine reserve run out. The directors consider that this assumption is applicable as after obtaining opinion from its legal counsel, the Group will be entitled to renew its mining rights upon the expiration at minimal cost.

Key assumptions used in the value in use calculation for the years ended 31 March 2011 and 2012 are as follows:

Gold output

The basis used to determine the values assigned to the future revenues is estimated based on the annual ore output and gold production, which is in line with the processing capacity of the CGU, taking into consideration of the expected future capital expenditure and capacity expansion.

20. Goodwill (Continued)

Group (continued)

Impairment testing of goodwill (continued)

Mining costs

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the mining plan at real unit costs.

Commodity price

Future commodity prices in the valuation model are estimated by management based on their industry experience, historic price trends and independent expert reports and commentaries.

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, before tax reflecting specific risks relating to the CGU.

The values assigned to key assumptions are consistent with external information sources.

The directors are of the view that, based on its assessment, there was no impairment of goodwill as of 31 March 2011 and 2012.

In the opinion of the directors, any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the gold mining activities' CGU to exceed the aggregate recoverable amount of the gold mining activities' CGU.

21. Inventories

Group

	2012 HK$'000	2011 HK$'000
Raw materials	10,927	2,146
Work in progress	192	–
Finished goods	4,935	4,669
	16,054	6,815

22. Trade and Other Receivables

Group

	2012 HK$'000	2011 HK$'000
Trade receivables	–	1
Prepayments, deposits and other receivables	161,243	8,687
Total trade and other receivables	161,243	8,688

The Group allows an average credit period of 30 days (2011: ranging from 30 to 60 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:

	2012 HK$'000	2011 HK$'000
0 – 60 days	–	1

There were no trade receivables past due but not impaired as at 31 March 2011 and 2012. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owned by the Group to the counterparty.

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	–	1

Included in the balance of prepayments, deposits and other receivables of the Group at 31 March 2012 was a refundable deposit of RMB120,000,000 (equivalent to approximately HK$147,240,000) in relation to the proposed acquisition of the entire equity interest of Success State Development Limited, further details of which are disclosed in note 40(a).

23. Amount Due from a Non-controlling Interest of a Subsidiary

The balance at 31 March 2011 represented an amount due from the non-controlling interest of Heilongjiang Zhongyi Weiye, a 92% owned subsidiary of the Company, of approximately HK$1,000. The amount due was unsecured, interest-free and repayable on demand.

24. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group, bank balances that earn interest at floating rate based on daily bank deposit rates and short term time deposits that earn interest at the respective short term deposit rates. The bank balances and short term time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately HK$419,850,000 (2011: HK$130,094,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

25. Trade and Other Payables

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade payables	–	286	–	–
Other payables and accruals	24,648	18,670	1,389	1,821
	24,648	18,956	1,389	1,821

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

Group

	2012 HK$'000	2011 HK$'000
0 – 60 days	–	286

The trade payables and other payables are non-interest-bearing.

26. Amounts Due to a Non-controlling Interest of a Subsidiary/Related Companies

The amounts due are unsecured, interest-free and repayable on demand.

27. Provision for Restoration Costs

Group

	HK$'000
Balance at 1 April 2010	–
Acquisition of subsidiaries *(Note 34)*	363
Effect of foreign currency exchange differences	13
Balance at 31 March 2011	376
Effect of foreign currency exchange differences	14
Balance at 31 March 2012	390

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration cost has been determined by the directors based on their best estimates by reference to relevant PRC rules and regulations.

28. Deferred Taxation

The following are the major deferred tax liabilities recognized and movements thereon during the year:

Group

	Mining rights HK$'000
Balance at 1 April 2010	–
Acquisition of subsidiaries *(Note 34)*	34,816
Credit to profit or loss	(198)
Effect of foreign currency exchange differences	1,280
Balance at 31 March 2011	35,898
Credit to profit or loss	(448)
Effect of foreign currency exchange differences	1,273
Balance at 31 March 2012	36,723

28. Deferred Taxation (continued)

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 March 2012, no deferred tax liabilities for withholding tax have been recognized as the Group's PRC subsidiaries incurred accumulated losses for the period since 1 January 2008. At 31 March 2011, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$53,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$23,917,000 (2011: HK$3,523,000) arising from subsidiaries operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary for five years and estimated unused tax losses of approximately HK$3,349,000 (2011: HK$1,533,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

29. Share Capital

	Number of shares	Share capital HK$'000
Authorized:		
Ordinary shares of HK$0.01 each at 31 March 2010 and 2011	20,000,000,000	200,000
Share consolidation *(Note (v))*	(18,000,000,000)	–
Ordinary shares of HK$0.10 each at 31 March 2012	**2,000,000,000**	**200,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 April 2010	2,662,063,158	26,621
Issue of new ordinary shares *(Note (i))*	2,888,000,000	28,880
Conversion of convertible bonds *(Note (ii))*	1,209,781,813	12,098
Ordinary shares of HK$0.01 each at 31 March 2011	6,759,844,971	67,599
Issue of new ordinary shares *(Note (iii))*	1,100,000,000	11,000
Repurchase of ordinary shares *(Note (iv))*	(101,970,000)	(1,020)
Share consolidation *(Note (v))*	(6,982,087,474)	–
Ordinary shares of HK$0.10 each at 31 March 2012	**775,787,497**	**77,579**

29. Share Capital (continued)

Notes:

(i) 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 ordinary shares of HK$0.01 each at a subscription price of HK$0.19 each to not less than six placees on 7 May 2010. The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK$529 million.

(ii) During the year ended 31 March 2011, 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.

(iii) During the year ended 31 March 2012 and prior to the Share Consolidation set out in note (v) below, the following placing and subscription arrangements took place:

On 27 April 2011, Mr. Leung Ngai Man ("Mr. Leung"), an executive director, the chairman and substantial shareholder of the Company, entered into a placing agreement with the Company and two placing agents in relation to a placing, on a best efforts basis of up to 1,100,000,000 existing shares of HK$0.01 each owned by Mr. Leung to independent third parties at the placing price of HK$0.38 per placing share. On the same day, the Company and Mr. Leung (as subscriber) entered into a subscription agreement dated 27 April 2011 which Mr. Leung conditionally agreed to subscribe for the subscription shares (the number of which shall be equivalent to the placing shares actually placed under the placing agreement) at HK$0.38 per subscription share.

Completion of the placing agreement took place on 3 May 2011 in accordance with the terms and conditions of the placing agreement and an aggregate of 1,100,000,000 placing shares were placed to not less than six placees at HK$0.38 per share.

On 9 May 2011, an aggregate of 1,100,000,000 shares of HK$0.01 each in the capital of the Company were allotted and issued to Mr. Leung at HK$0.38 per subscription share. The exercise gave rise to an aggregate net proceeds of approximately HK$400 million.

29. Share Capital (continued)

Notes: (continued)

(iv) During the year ended 31 March 2012 and prior to the Share Consolidation set out in note (v) below, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each repurchased	Repurchase price per ordinary share of HK$0.01 each		Aggregate consideration paid
		Highest	Lowest	
	'000	HK$	HK$	HK$'000
July 2011	12,010	0.214	0.198	2,508
August 2011	33,470	0.177	0.130	5,459
September 2011	21,920	0.208	0.131	3,853
October 2011	34,570	0.160	0.115	4,751
	101,970			16,571

During the year ended 31 March 2012, 101,970,000 ordinary shares of HK$0.01 each were repurchased and canceled at an aggregate consideration of approximately HK$16,571,000. The issued share capital of the Company was reduced by the aggregate par value of the repurchased ordinary shares so canceled. The premium and related expenses paid for the repurchase of the ordinary shares of HK$0.01 each, which amounted to approximately HK$16,685,000 was charged to the share premium account. An amount equivalent to the aggregate par value of the ordinary shares canceled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

(v) Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every 10 of the existing issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK$0.10 per share (the "Share Consolidation"). Immediately after the Share Consolidation, the authorized share capital of the Company comprised 2,000,000,000 consolidated shares of HK$0.10 each of which 775,787,497 consolidated shares of HK$0.10 each were in issue and the board lot size has been changed from 10,000 shares of HK$0.01 each to 5,000 consolidated shares of HK$0.10 each.

30. 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. 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 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.

As the Scheme adopted on 25 April 2002 expired on 15 May 2012, subsequent to the end of the reporting period, a new share option scheme was adopted by the Company on 20 April 2012.

30. Share-Based Payment Transactions (continued)

The following table disclose movements of the Company's share options granted under the Scheme during the year ended 31 March 2012:

Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1/4/2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2012
1 November 2004	1 November 2004 to 31 October 2014	4.750*	220,000*	–	–	–	220,000*
29 November 2004	29 November 2004 to 28 November 2014	4.600*	300,000*	–	–	–	300,000*
3 January 2005	3 January 2005 to 2 January 2015	4.100*	800,000*	–	–	–	800,000*
12 January 2005	12 January 2005 to 11 January 2015	4.100*	500,000*	–	–	–	500,000*
23 March 2005	23 March 2005 to 22 March 2015	3.400*	400,000*	–	–	–	400,000*
8 May 2006	8 May 2006 to 7 May 2016	14.600*	2,640,000*	–	–	–	2,640,000*
1 September 2006	1 September 2006 to 31 August 2016	7.100*	3,600,000*	–	–	–	3,600,000*
4 September 2006	4 September 2006 to 3 September 2016	7.100*	600,000*	–	–	–	600,000*
1 June 2007	1 June 2007 to 31 May 2017	4.550*	1,400,000*	–	–	–	1,400,000*
14 May 2008	14 May 2008 to 13 May 2018	1.360*	1,200,000*	–	–	–	1,200,000*
4 May 2010	4 May 2010 to 3 May 2020	3.000*	4,700,000*	–	–	–	4,700,000*
27 January 2012	27 January 2012 to 26 January 2015	0.812*	–	12,000,000*	–	–	12,000,000*
			16,360,000*	12,000,000*	–	–	28,360,000*
Exercisable at the end of the year							27,185,000*
Weighted average exercise price			HK$6.087*	HK$0.812*	–	–	HK$3.855*

30. Share-Based Payment Transactions (continued)

The following table disclose movements of the Company's share options granted under the Scheme during the year ended 31 March 2011:

			Number of share options				
Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1/4/2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2011
1 November 2004	1 November 2004 to 31 October 2014	4.750*	220,000*	–	–	–	220,000*
29 November 2004	29 November 2004 to 28 November 2014	4.600*	300,000*	–	–	–	300,000*
3 January 2005	3 January 2005 to 2 January 2015	4.100*	800,000*	–	–	–	800,000*
12 January 2005	12 January 2005 to 11 January 2015	4.100*	500,000*	–	–	–	500,000*
23 March 2005	23 March 2005 to 22 March 2015	3.400*	400,000*	–	–	–	400,000*
8 May 2006	8 May 2006 to 7 May 2016	14.600*	2,640,000*	–	–	–	2,640,000*
1 September 2006	1 September 2006 to 31 August 2016	7.100*	3,600,000*	–	–	–	3,600,000*
4 September 2006	4 September 2006 to 3 September 2016	7.100*	600,000*	–	–	–	600,000*
1 June 2007	1 June 2007 to 31 May 2017	4.550*	1,400,000*	–	–	–	1,400,000*
14 May 2008	14 May 2008 to 13 May 2018	1.360*	1,200,000*	–	–	–	1,200,000*
4 May 2010	4 May 2010 to 3 May 2020	3.000*	–	4,700,000*	–	–	4,700,000*
			11,660,000*	4,700,000*	–	–	16,360,000*
Exercisable at the end of the year							12,835,000*
Weighted average exercise price			HK$7.330*	HK$3.000*	–	–	HK$6.087*

No option has been exercised under the Scheme during the years ended 31 March 2011 and 2012.

Options granted are fully vested at the date of grant except for 4,700,000* options granted on 4 May 2010 for which 25% are exercisable 9 months from the date of acceptance of offer; 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 31 March 2012 had weighted average exercise price of HK$3.855* (2011: HK$6.087*) and a weighted average remaining contractual life of 4.3 years (2011: 6.3 years).

30. Share-Based Payment Transactions (continued)

The weighted average fair value of options granted during the year was HK$0.477* (2011: HK$0.637*).

The total consideration received during the year from grant of share options amounted to HK$2 (2011: HK$6).

None of the share options were forfeited and expired during the years ended 31 March 2011 and 2012.

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.

The fair value of equity-settled share option granted during the year was estimated as at the date of grant, using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2011 and 2012:

	2012	2011
Grant date share price	HK$0.800*	HK$2.200*
Exercise price	HK$0.812*	HK$3.000*
Expected volatility	96.64%	89.6% to 110.87%
Expected exercise date	27 January 2012 to 26 January 2015	3 May 2011 to 8 May 2012
Risk-free interest rate	0.416%	0.167% to 0.770%
Expected dividend yield	Nil	Nil

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The Company measures the fair values of share options granted to consultants by reference to the fair values of services received. The fair values of the share options granted to consultants recognized during the year amounted to approximately HK$35,000 (2011: HK$99,000) has been included in the consolidated statement of comprehensive income for the year ended 31 March 2012, the corresponding amount of which has been credited to share options reserve (note 31).

* The above information has been adjusted to reflect the effect of the Share Consolidation on 27 February 2012 as set out in note 29(v) pursuant to which every 10 of the existing issued and unissued shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated share of HK$0.10 each. Every 10 of the options were consolidated into 1 consolidated option and the exercise prices were adjusted accordingly.

31. Reserves

Company

	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2010	461,073	2,440	250,391	61,375	12,640	–	(238,248)	549,671
Loss for the year	–	–	–	–	–	–	(61,066)	(61,066)
Total comprehensive expense for the year	–	–	–	–	–	–	(61,066)	(61,066)
Issue of new ordinary shares *(Note 29 (i))*	519,840	–	–	–	–	–	–	519,840
Transaction costs attributable to issue of new ordinary shares	(19,585)	–	–	–	–	–	–	(19,585)
Recognition of equity-settled share-based payments	–	–	–	1,911	–	–	–	1,911
Conversion of convertible bonds *(Note 29 (ii))*	286,251	–	(250,391)	–	–	–	–	35,860
Release of reserve upon lapse of warrants	–	(2,440)	–	–	–	–	2,440	–
Balance at 31 March 2011	1,247,579	–	–	63,286	12,640	–	(296,874)	1,026,631
Loss for the year	–	–	–	–	–	–	(43,974)	(43,974)
Total comprehensive expense for the year	–	–	–	–	–	–	(43,974)	(43,974)
Issue of new ordinary shares *(Note 29 (iii))*	407,000	–	–	–	–	–	–	407,000
Transaction costs attributable to issue of new ordinary shares	(18,464)	–	–	–	–	–	–	(18,464)
Recognition of equity-settled share-based payments	–	–	–	6,664	–	–	–	6,664
Repurchase of ordinary shares *(Note 29 (iv))*	(16,571)	–	–	–	–	1,020	–	(15,551)
Transaction cost attributable to repurchase of ordinary shares	(114)	–	–	–	–	–	–	(114)
Balance at 31 March 2012	1,619,430	–	–	69,950	12,640	1,020	(340,848)	1,362,192

32. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity (comprising issued share capital, reserves and non-controlling interests).

Gearing ratio

The Group's management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follow:

	2012 HK$'000	2011 HK$'000
Debts	–	–
Cash and cash equivalents	(477,218)	(311,810)
Net debt	–	–
Equity *(Note (i))*	2,043,286	1,660,344
Net debt-to-equity ratio	–	–

Note:

(i) Equity includes all capital, reserves and non-controlling interests.

33. Financial Instruments

33.1 Categories of financial instruments

Group

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables:		
– Financial assets included in trade and other receivables	160,327	8,133
– Amount due from a non-controlling interest of a subsidiary	–	1
– Bank balances and cash	477,218	311,810
Financial liabilities		
Financial liabilities at amortized cost:		
– Financial liabilities included in trade and other payables	15,868	10,774
– Amount due to a non-controlling interest of a subsidiary	9,140	8,826
– Amounts due to related companies	–	337

33.2 Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a non-controlling interest of a subsidiary, bank balances and cash, trade and other payables, amount due to a non-controlling interest of a subsidiary and amounts due to related companies. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

33. Financial Instruments (continued)

33.2 Financial risk management objectives and policies (continued)

33.2.1 Market risk

Foreign currency risk management

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all 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.

At the end of the reporting period, the carrying amounts of the Group's major monetary assets denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	2012 HK$'000	2011 HK$'000
Assets		
United States Dollars ("US$")	389	2,422
RMB	572,983	–
HK$	5,741	1,099

Foreign currency sensitivity analysis

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against HK$ and HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign curreny rate. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and HK$ strengthens against RMB. For a 5% weakening of RMB against HK$ and HK$ weakening against RMB, there would be an equal and opposite impact on the loss.

33. Financial Instruments (continued)

33.2 Financial risk management objectives and policies (continued)

33.2.1 Market risk (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis (continued)

	2012	2011
	HK$'000	HK$'000
RMB	28,649	–
HK$	287	55

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group is not exposed to significant fair value interest rate risk and cash flow interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Other price risk

As the Group has no significant investments in financial assets at FVTPL or AFS financial assets, the Group is not exposed to significant other price risk.

33.2.2 Credit risk management

At 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limited, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

33. Financial Instruments (continued)

33.2 Financial risk management objectives and policies (continued)

33.2.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand or less than 1 year HK$'000	1-5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 March 2012				
Non-derivative financial liabilities				
Trade and other payables	15,868	–	15,868	15,868
Amount due to a non-controlling interest of a subsidiary	9,140	–	9,140	9,140
	25,008	–	25,008	25,008

33. Financial Instruments (continued)

33.2 Financial risk management objectives and policies (continued)

33.2.3 Liquidity risk management *(continued)*

	On demand or less than 1 year HK$'000	1-5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 March 2011				
Non-derivative financial liabilities				
Trade and other payables	10,774	–	10,774	10,774
Amount due to a non-controlling interest of a subsidiary	8,826	–	8,826	8,826
Amounts due to related companies	337	–	337	337
	19,937	–	19,937	19,937

33.3 Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair values.

33.3.1 *Fair value measurements recognized in the consolidated statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

33. Financial Instruments (continued)

33.3 Fair value of financial instruments (continued)

33.3.1 Fair value measurements recognized in the consolidated statement of financial position (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Levels 1 and 2 in both years.

At the end of the reporting period, the Group did not have any assets and liabilities that were measured at the above fair value measurements hierarchy.

34. Acquisition of Subsidiaries

Acquisition of Favour South Limited

On 23 January 2010, Sino Prosper Mineral Products Limited, a wholly-owned subsidiary of the Company entered into an acquisition agreement ("Inner Mongolia Agreement") with Mr. Hong Guang, an independent third party ("Mr. Hong") for the acquisition of (i) entire issued share capital of Favour South Limited ("Favour South"); and (ii) all the obligation, liabilities and debts owing or incurred by Favour South to Mr. Hong, at a total consideration of RMB147,000,000 (equivalent to approximately HK$167,045,000), subject to adjustment (the "Inner Mongolia Acquisition").

Favour South was a company incorporated in the BVI and principally engaged in investment holding. The sole asset of Favour South was the entire issued capital of Great Surplus Investment Limited, which was to contribute and own 70% of the registered and paid up capital of Aohanqi Xinrui En Industry Co., Ltd ("Aohan Qi").

Aohan Qi is the holder of a permit for the mining of gold at a mine located at Gouliang Town, Aohan Qi, Inner Mongolia Autonomous Region, the PRC.

All conditions precedent to the completion of the Inner Mongolia Acquisition were fulfilled and the Inner Mongolia Acquisition was completed on 29 June 2010.

34. Acquisition of Subsidiaries (continued)

Acquisition of Favour South Limited (continued)

Consideration transferred

	HK$'000
Deposit paid in prior year	4,136
Cash	155,000
Acquisition of shareholder's loan	(3,123)
Total consideration transferred (net of deductions set aside in accordance with the terms of the Inner Mongolia Agreement)	156,013

Acquisition-related costs amounting to approximately HK$3,206,000 had been excluded from the consideration transferred and had been recognized as an expense in the period, within the administrative expenses in the consolidated statement of comprehensive income for the year ended 31 March 2011.

Assets acquired and liabilities recognized at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment *(Note 16)*	16,878
Mining rights *(Note 18)*	139,861
Current assets	
Prepayments, deposits and other receivables	7,086
Bank balances and cash	554
Current liabilities	
Other payables and accruals	(7,158)
Amount due to a non-controlling interest of a subsidiary	(19,927)
Amount due to a shareholder	(3,123)
Non-current liabilities	
Deferred tax liabilities *(Note 28)*	(34,816)
Provision for restoration costs *(Note 27)*	(363)
	98,992

The fair value of receivables acquired, which principally comprised prepayments, deposits and other receivables approximated the gross contractual amounts. There were no contractual cash flows not expected to be collected.

34. Acquisition of Subsidiaries (continued)

Acquisition of Favour South Limited (continued)

Non-controlling interests

The non-controlling interests at the acquisition date were measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	156,013
Add: non-controlling interests	30,414
Less: fair value of identifiable net assets acquired	(98,992)
Goodwill arising on acquisition *(Note 20)*	87,435

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Goodwill arising from acquisition of Favour South and its subsidiaries (the "Favour South Group") was attributable to the anticipated profitability and future development of the Favour South Group in gold mining activities in the PRC and the anticipated future operating synergy from the combinations.

Net cash outflow arising on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	159,136
Less: Deposit paid in prior year	(4,136)
Bank balances and cash acquired	(554)
	154,446

Impact of acquisition on the results of the Group

The Favour South Group contributed revenues of approximately HK$2,380,000 and net loss of approximately HK$11,018,000 to the Group for the period from the date of acquisition to 31 March 2011. If the acquisition had occurred on 1 April 2010, the Favour South Group's revenue would have been approximately HK$2,380,000 and loss before allocations would have been approximately HK$12,893,000. This pro forma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 April 2010, nor was it intended to be a projection of future results.

35. Acquisition of Additional Interests in a Subsidiary

Pursuant to the acquisition agreement entered into among Victor Bright Investment Limited, a wholly-owned subsidiary of the Company (as purchaser), Ms. Gao Liyan (as first vendor) and Mr. Song Yang (as second vendor) (collectively as vendors) on 17 May 2010 (the "2010 Acquisition Agreement"), the purchaser has agreed to acquire from the vendors an aggregate of 27% equity interests in Heilongjiang Zhongyi Weiye, of which 13% equity interests was acquired from the first vendor and 14% equity interests was acquired from the second vendor. The consideration payable to the vendors under the 2010 Acquisition Agreement was RMB24,000,000 in aggregate, of which RMB11,560,000 was payable to the first vendor and RMB12,440,000 was payable to the second vendor. The consideration was payable in the form of cash only. The ordinary resolution for approving the 2010 Acquisition Agreement was duly passed by way of poll by the shareholders of the Company at the extraordinary general meeting held on 24 June 2010 and the transaction was completed on 3 August 2010. Immediately after completion of the acquisition under the 2010 Acquisition Agreement, Heilongjiang Zhongyi Weiye was owned as to 92% by the Group and 8% by the first vendor respectively.

The carrying amount of the non-controlling interests in Heilongjiang Zhongyi Weiye on the date of acquisition was approximately HK$358,627,000. The Group recognized a decrease in non-controlling interests of approximately HK$276,655,000 and an increase in equity attributable to owners of the Company of approximately HK$249,089,000. The effect of changes in the ownership interest of Heilongjiang Zhongyi Weiye on the equity attributable to owners of the Company during the year ended 31 March 2011 was summarized as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	276,655
Consideration paid to non-controlling interests	(27,566)
Excess of consideration paid recognized in other reserve within equity	249,089

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 March 2011:

	HK$'000
Total comprehensive expense for the period attributable to owners of the Company	(11,112)
Net effect of transactions with non-controlling interests on changes in equity attributable to owners of the Company	249,089
	237,977

36. Disposal of Subsidiaries

(a) Year ended 31 March 2012

On 21 December 2011, the Group disposed of its wholly-owned subsidiary Sino Prosper Asphalt Investment Limited to an independent third party at a consideration of HK$10,000. Upon completion of the disposal, the Group ceased to have any shareholding in Sino Prosper Asphalt Investment Limited.

On 23 February 2012, the Group disposed of its wholly-owned subsidiary Joint Profit Group Limited, which holds the entire equity interests in 大連海鑫投資咨詢有限公司, a wholly foreign owned enterprise established in the PRC, to an independent third party at a consideration of HK$800,000. Upon completion of the disposal, the Group ceased to have any shareholdings in Joint Profit Group Limited and 大連海鑫投資咨詢有限公司.

The net assets of Sino Prosper Asphalt Investment Limited and the consolidated net liabilities of Joint Profit Group Limited and 大連海鑫投資咨詢有限公司 ("JP Group") at the dates of disposal were as follows:

	Sino Prosper Asphalt Investment Limited HK$'000	JP Group HK$'000	Total HK$'000
Property, plant and equipment	–	31	31
Prepayments, deposits and other receivables	–	25	25
Bank balance and cash	–	528	528
Other payables	–	(626)	(626)
	–	(42)	(42)
Foreign currency translation reserve	–	(2,651)	(2,651)
Gain on disposal of subsidiaries	10	3,493	3,503
	10	800	810
Satisfied by:			
Cash consideration	10	800	810
Net cash inflow on disposal of subsidiaries:			
Cash consideration	10	800	810
Bank balances and cash disposed of	–	(528)	(528)
	10	272	282

36. Disposal of Subsidiaries (continued)

(b) Year ended 31 March 2011

During the year ended 31 March 2011, the Group disposed of its 95% owned subsidiary 海南泰瑞礦產開發有限公司 and a wholly-owned subsidiary 廣州市高泓礦業技術咨詢有限公司 to independent third parties at consideration of RMB1,900,000 and RMB1 respectively. Upon completion of the disposals, the Group ceased to have any shareholdings in 海南泰瑞礦產開發有限公司 and 廣州市高泓礦業技術咨詢有限公司.

On 25 August 2010, Sino Prosper Group Limited ("SP Group"), a direct wholly-owned subsidiary of the Company, and Mr. Leung entered into a sale and purchase agreement, pursuant to which SP Group has agreed to sell and Mr. Leung has agreed to purchase the entire issued ordinary share capital of Sino Prosper Gas Limited ("SP Gas"), an indirect wholly-owned subsidiary of the Company, which holds 95% equity interests in CNPC Sino Prosper Petroleum and Gas Company Limited. (中油中盈石油燃氣銷售有限公司) ("CNPC"), and the loan outstanding as at completion made by or on behalf of SP Group to SP Gas, at the purchase consideration of HK$13.3 million. The disposal was completed on 26 October 2010. Upon completion of the disposal, the Group ceased to have any shareholding in SP Gas.

The net liabilities of 海南泰瑞礦產開發有限公司, 廣州市高泓礦業技術咨詢有限公司 and the consolidated net liabilities of SP Gas and CNPC ("SP Gas Group") at the dates of disposal were as follows:

	海南泰瑞礦產開發有限公司	廣州市高泓礦業技術咨詢有限公司	SP Gas Group	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	3	–	22	25
Prepayments, deposits and other receivables	31	–	486	517
Amount due from group companies	353	–	341	694
Amount due from a director	–	–	11,383	11,383
Bank balances and cash	14	–	737	751
Other payables and accruals	(13,390)	–	(190)	(13,580)
Amount due to the Group	–	–	(15,185)	(15,185)
	(12,989)	–	(2,406)	(15,395)
Non-controlling interests	15	–	(278)	(263)
Foreign currency translation reserve	352	4	(789)	(433)
Gain/(loss) on disposal of subsidiaries	14,797	(227)	1,588	16,158
	2,175	(223)	(1,885)	67

36. Disposal of Subsidiaries (continued)

(b) Year ended 31 March 2011 (continued)

	海南泰瑞礦產開發有限公司 HK$'000	廣州市高泓礦業技術咨詢有限公司 HK$'000	SP Gas Group HK$'000	Total HK$'000
Satisfied by:				
Cash consideration	2,175	–	13,300	15,475
Assignment of amount due to the Group	–	–	(15,185)	(15,185)
Amount waived through disposal	–	(223)	–	(223)
	2,175	(223)	(1,885)	67
Net cash inflow on disposal of subsidiaries				
Cash consideration	2,175	–	13,300	15,475
Bank balances and cash disposed of	(14)	–	(737)	(751)
	2,161	–	12,563	14,724

37. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	3,402	829
In the second to fifth years inclusive	2,954	41
	6,356	870

Operating leases relate to office premises and equipment with lease terms of between 1 to 4 years (2011: 1 to 5 years).

38. Capital Commitments

At the end of the reporting period, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2012 HK$'000	2011 HK$'000
Contracted but not provided for:		
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	32,763	41,778
– Exploration and evaluation expenditure	1,285	9,173
– Construction expenditure	18,448	22,892
– Purchase of property, plant and equipment	167	–
	52,663	73,843

At the end of the reporting period, the Company had no significant capital commitments.

39. Related Party Transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

Compensation of key management personnel

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	22,870	16,750
Post-employment benefits	48	52
Equity-settled share-based payments	3,128	603
	26,046	17,405

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

40. Events After the Reporting Period

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material events subsequent to the end of the reporting period:

(a) On 19 December 2011, Sino Prosper State Gold HK Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. Leung, being the chairman, an executive director and substantial shareholder of the Company (the "Vendor") has entered into an acquisition agreement (the "Agreement") pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has agreed to dispose of: (i) the sale share, being the entire issued share capital of Success State Development Limited (the "Target BVI"), a company incorporated in the BVI, wholly and beneficially owned by Mr. Leung and (ii) the sale loan of the Target BVI, at a total consideration of RMB550 million (equivalent to approximately HK$674.85 million). The Target BVI through its subsidiary is expected to contribute and own 77% of the registered and paid up capital of 貴州省黔西南州龍宇礦業有限責任公司 (Guizhou Qianxi'nan Prefecture Longyu Mining Co., Ltd.) (the "Target PRC"). The current business scope of the Target PRC includes the gold mines exploration, selection of gold and sale of mineral products (which are permitted by law, rules, and regulations, requirement by State Office of the PRC and cannot engage in those not allowed as said). The Target PRC holds mining permit for mining of gold in a mining site located at Xiongwu Village, Xingyi City, Guizhou Province, the PRC. Up to the date of approval of these consolidated financial statements, the aforesaid acquisition has not yet completed.

(b) On 7 March 2012, the Company entered into a placing agreement (the "2012 Placing Agreement") with a placing agent (as amended by a supplemental placing agreement dated 8 March 2012) in relation to a placing of up to 152,000,000 warrants ("Warrants") to not less than six placees at a placing price of HK$0.01 per warrant. The subscription price is HK$0.72 (subject to adjustment) per new share to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Warrants.

The completion of the 2012 Placing Agreement took place on 11 April 2012 in accordance with the terms and conditions of the 2012 Placing Agreement (as amended by a supplemental placing agreement dated 8 March 2012) and 152,000,000 Warrants were issued to not less than six placees.

The net proceeds from the placing (without taking into account the exercise of the subscription rights attaching to the Warrants) after taking into account the expenses in relation to the placing, amounted to approximately HK$1.4 million.

	For the year ended 31 March				
	2008	2009	2010	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	84,714	31,335	41,824	47,692	50,287
Loss before tax	(27,815)	(9,607)	(59,486)	(48,185)	(51,155)
Income tax (expense)/credit	–	(355)	355	198	(566)
Loss for the year	(27,815)	(9,962)	(59,131)	(47,987)	(51,721)
Attributable to:					
Owners of the Company	(27,398)	(9,764)	(58,882)	(44,040)	(46,799)
Non-controlling interests	(417)	(198)	(249)	(3,947)	(4,922)
	(27,815)	(9,962)	(59,131)	(47,987)	(51,721)

	At 31 March				
	2008	2009	2010	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	297,652	315,650	1,249,396	1,724,737	2,114,187
Total liabilities	(25,699)	(41,430)	(178,563)	(64,393)	(70,901)
	271,953	274,220	1,070,833	1,660,344	2,043,286
Equity attributable to owners of the Company	270,448	273,135	714,485	1,531,033	1,914,282
Non-controlling interests	1,505	1,085	356,348	129,311	129,004
Total equity	271,953	274,220	1,070,833	1,660,344	2,043,286

EXECUTIVE DIRECTORS

Mr. Leung Ngai Man *(Chairman)*
Mr. Sung Kin Man *(Chief Executive Officer)*
Mr. Ng Kwok Chu, Winfield
Mr. Yeung Kit

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Wei Lun
Dr. Leung Wai Cheung
Mr. Zhang Qingkui

COMPANY SECRETARY

Ms. Chiu Ngan Ling Annie

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