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)

Golden Opportunities

Annual Report 2010 年報

GOLDEN OPPORTUNITIES

Sino Prosper aims to become a major player in the rapidly expanding and evolving China mining industry by delivering shareholder value through participation across the entire precious metals production value chain, including exploration, development, processing, smelting, refining and sales of the end product.

The photograph on the front cover of this Annual Report is of vein mineralization from the Aohanqi operating mine. All such photos, and ore samples, throughout this Annual Report are from the mines of Sino Prosper in China.

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CORPORATE PROFILE

Sino Prosper State Gold Resources Holdings Limited (Sino Prosper) is a Cayman Islands incorporated enterprise listed on the Hong Kong Stock Exchange under the stock code 0766. The primary business of Sino Prosper is the exploration, development, production and sales of precious metals. Currently, Sino Prosper operates mining projects in Inner Mongolia and Heilongjiang Province in the People's Republic of China.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. LEUNG Ngai Man *(Chairman)*
Mr. SUNG Kin Man *(Chief Executive Officer)*
(appointed on 1 November 2009)
Mr. YEUNG Kit
Mr. WONG Wa Tak
Mr. NG Kwok Chu, Winfield
(appointed on 26 June 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CAI Wei Lun
Mr. CHAN Sing Fai
Dr. LEUNG Wai Cheung

COMPANY SECRETARY

Ms. CHIU Ngan Ling Annie

HONG KONG LEGAL ADVISORS

Chiu & Partners

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1702-04
17th Floor, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

CHAIRMAN'S STATEMENT

GOLDEN OPPORTUNITIES

Sino Prosper State Gold Resources Holdings Ltd. (Sino Prosper) is transforming its business model to build a large scale business in the precious metals mining industry at a time when China is at a crossroad in the formation of the world's largest economy. In our first Annual Report following the commencement of this transformation, we are pleased to provide a report our strategy and explain how our vision will deliver shareholder value.

This golden age for China is marked by unprecedented economic growth and major strides in the broad creation of wealth across different strata of society. Those of us fortunate enough to be active in the mining of precious metals face a golden opportunity to participate in the development and expansion of an industry central to the future course of a nation that is emerging as a premier player on the world stage.

Nowhere is China's rise to prosperity more marked than in the gold sector. China has risen to become the world's largest gold producer, with some 13% of global market share in 2009. Reversing a trend that saw global gold output decline by almost one percent from 1999 to 2008 on a CAGR (Compound Annual Growth Rate) basis, China output has expanded faster than that of any nation, achieving a CAGR of nearly 7% during this same period. In terms of consumption, China is second only to India with a global market share of over 12%. Some analysts predict China will soon surpass India as the world's largest gold consumer.

It is against such background that Sino Prosper has identified a niche opportunity in the precious metals mining sector. To capture this golden opportunity, Sino Prosper has restructured its operations to develop a significant business in the precious metals mining sector and has brought on board a top rank management team to execute a world class corporate strategy. To reflect this business focus, "Sino Prosper Holdings Limited 中盈控股有限公司" changed its name to "Sino Prosper State Gold Resources Holdings Limited 中盈國金資源控股有限公司" in this fiscal year.

This unique gold gilded silver mask was produced from gold mined in the Aohanqi region during the Liao Dynasty around 1,000 years ago

The institutional placing consummated in May 2010 and which raised HK$548,720,000 further facilitated the smooth completion of our restructuring. This capital injection is an important vote of confidence from the investment community, including a number of renowned global funds, and provides a foundation for the rapid roll-out of our precious metals mining business.

With the addition of management and capital firmly in place, Sino Prosper promptly closed its acquisition of a 70% stake in Ao Han Qi Xin Rui En Mineral Industry Co., Ltd.. (Aohanqi) in June 2010 and is in the final stages of a significant expansion of that gold mine's production. A substantial rise in Aohanqi production will underpin future financial results with an expected steady flow of revenues and profit. In addition, during the year ended 31 March 2010, Sino Prosper purchased 65% of Heilongjiang Zhongyi Weiye Economic & Trade Co. Ltd. (Zhongyi) and has commenced new exploration of its five contiguous exploration licenses covering over 360 sq. km. The ownership level in Zhongyi is expected to be expanded to 92% shortly.

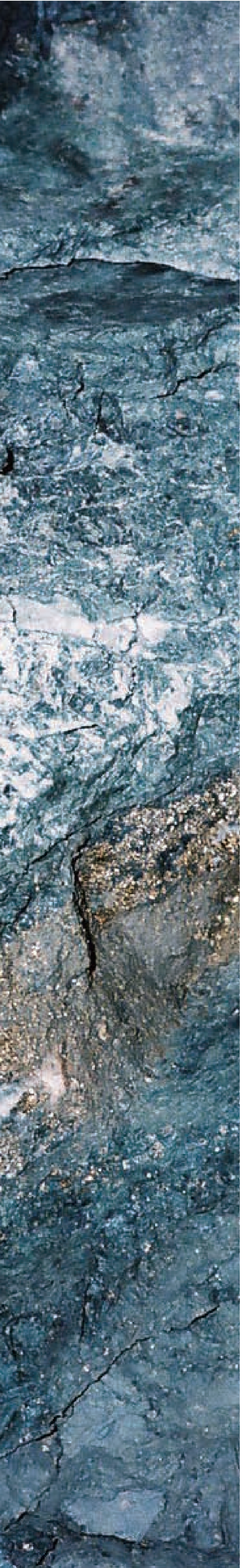
Given the above developments, Sino Prosper is positioned to become an important Chinese precious metals mining company in the coming three years from its base of being listed on the Hong Kong Stock Exchange. Using our strong relationships in China, leveraging the abilities of experienced management and increasing our pipeline of available projects, Sino Prosper is heading into a period of rapid expansion as an integrated precious metals mining company with operations across the entire value chain.

With clear objectives, a strong strategic focus and in-depth industry expertise, Sino Prosper is positioned for growth. In our desire to deliver shareholder value we fully understand that we must perform at such level as at least excellent explorers, developers and operators. We intend to appraise our own performance and activities by (among others) seeking to increase ounces (resources) and production (cash flow/earnings) per share.

Finally, Sino Prosper would like to thank its directors, managers and employees, as well as our old and new stakeholders, for the confidence they have illustrated and their support of our effort to capitalize on the golden opportunities.

Leung Ngai Man, Raymond
Chairman

Hong Kong, 27 July 2010



MANAGEMENT DISCUSSION & ANALYSIS

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") ("Reporting Period") for the year ended 31 March 2010 are presented below.

OPERATIONAL REVIEW

The Group has been transforming to focus on the mining and production of precious metals in China. The Group is paving its way of becoming a major Chinese precious metals producer with significant expansion and exploration potential. The following sets out briefly the progress of the projects.

Current Operations

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

CNPC, a 95%-owned subsidiary of the Group, is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. During the year ended 31 March 2010, a total of approximately RMB1.4 million was further injected by the joint venture parties as part of CNPC's entire registered capital of RMB50 million. Up to 31 March 2010, an aggregate of RMB13.5 million was injected by the joint venture parties. During the year ended 31 March 2010, CNPC recorded a turnover of approximately RMB20.9 million (equivalent to approximately HK$23.7 million).

Hainan Tairui Mining Development Company Limited ("Hainan Tairui")

Hainan Tairui, a 95%-owned subsidiary of the Group, has the requisite licence for processing of minerals and the mining, smelting as well as the sales of ferrous and non-ferrous products in the PRC. Due to the economic downturn since late 2008, customers' demands for industrial metals generally dropped. The sales teams therefore suspended the trading of industrial metal and commenced to explore business opportunity in trading of other ferrous and non-ferrous products.

Proposed Investment and Termination of Investment in Iron Mines Project in Hebei Province, PRC

On 10 June 2008 (a date which falls before the commencement of the Reporting Period), Sino Prosper Minerals Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("2008 Acquisition Agreement") (and supplemented by a supplemental agreement dated 27 August 2008) with Mr. Leung Ngai Man (the "Vendor" or "Mr. Leung"), an executive Director and a substantial shareholder of the Company, for the acquisition of, amongst other, Agortex Development Limited ("Agortex"), at a total consideration of RMB230 million (equivalent to approximately HK$258 million).

The sole asset of Agortex was the entire issued share capital of Fordtec Investment Limited, which in turn owned 中連盈（大連）實業有限公司 (Zhonglianying (Dalian) Industry Co., Ltd.) ("WFOE").

Under the 2008 Acquisition Agreement, the acquisition would only be completed conditional upon, amongst others, the obtaining of a valuation report showing the value of the project of WFOE, comprising a mining portion, an exploration portion and a product processing portion, to be not less than RMB370 million.

The Vendor is a connected person by virtue of him being a Director and a substantial shareholder of the Company. As such, the acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The acquisition also constituted a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

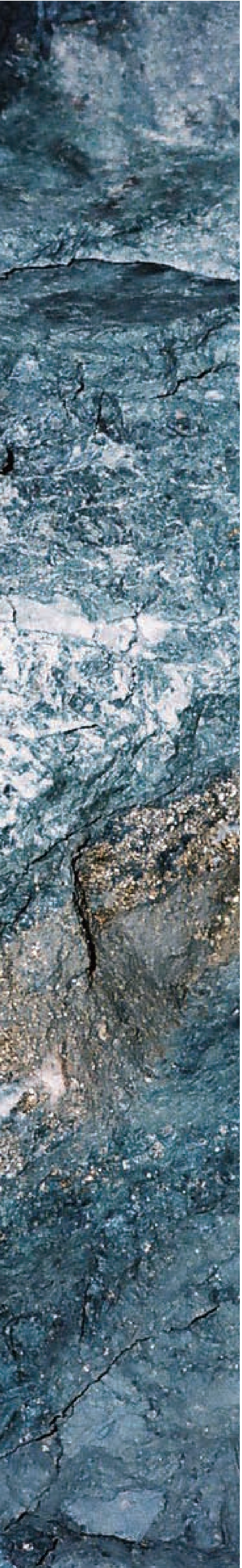
On 8 May 2009 before the despatch of any circular to shareholders concerning the 2008 Acquisition Agreement, the Company received a letter from an independent valuer which stated that the worth of the project of WFOE would be significantly lower than the estimation made in 2008. After careful consideration, the Directors (including the independent non-executive Directors) were of the view that it would not be in the interest of the Company to pursue the 2008 Acquisition Agreement. The Vendor and the Purchaser thus entered into a termination deed, whereby the Purchaser and the Vendor had mutually agreed to terminate the 2008 Acquisition Agreement with effect from 11 May 2009.

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

On 17 April 2009, Sino Prosper (States Gold) Investment Limited (the "Purchaser SG"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("2009 Acquisition Agreement") with Mr. Leung for the acquisition ("2009 Acquisition") of Nice Think Group Limited, a company incorporated in the British Virgin Islands ("Target BVI"), and the indebtedness owing by Target BVI to the Vendor on or prior to completion of the 2009 Acquisition at a total consideration of RMB360 million (equivalent to approximately HK$409.1 million) (after adjustment). Part of the consideration in the sum of RMB120 million (equivalent to HK$136,363,636 million) was agreed to be settled by Purchaser SG procuring the Company to issue convertible bonds to the Vendor and the remaining consideration of RMB240 million (equivalent to approximately HK$272.7 million) was agreed to be settled by Purchaser SG (or the Company) issuing a two-year 1.5% per annum promissory note to the Vendor.

The sole asset of Target BVI is the entire issued capital of Victor Bright Investment Limited, a company incorporated in Hong Kong ("Target HK"), which owns 65% of the registered and paid up capital of 黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd) ("Zhongyi Weiye"). Zhongyi Weiye is the holder of the exploration permits of three mines in the PRC (referred to as "Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3"). The predominant resources in Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3 are various kinds of metals including copper and gold.

As all conditions precedent to completion of the 2009 Acquisition Agreement were fulfilled, the 2009 Acquisition was completed on 30 September 2009. Accordingly, Target BVI has become a wholly-owned subsidiary of the Company. At completion, the consideration was settled by the issue to the Vendor of (i) a two-year 1.5% per annum promissory note in the principal amount of RMB240 million and (ii) the convertible bonds (which carry, among other rights, the right to convert the convertible bonds into shares of the Company at the initial conversion price of HK$0.075 per conversion share) in the aggregate principal amounts of HK$136,363,636.



MANAGEMENT DISCUSSION & ANALYSIS

Mr. Leung is a connected person by virtue of him being a Director and a substantial shareholder of the Company. As such, the 2009 Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The 2009 Acquisition also constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. It was approved by independent Shareholders at the extraordinary general meeting held on 25 September 2009.

On 27 October 2009, Zhongyi Weiye obtained additional exploration permits of two copper and poly-metal mines. These two mines are located in Xinancha, Hulin City, Heilongjiang Province, the PRC and Sanchalu, Hulin City, Heilongjiang Province, the PRC, respectively, with area of approximately 76.12 square kilometers and 92.18 square kilometers, respectively. Taking into account the exploration permits of three mines originally held by Zhongyi Weiye, Zhongyi Weiye then became a holder of exploration permits of a total of 5 mines with total mining area of approximately 364.61 square kilometers.

The Company confirms that in connection with the 2009 Acquisition, it has complied with the applicable requirements under Chapter 14A of the Listing Rules.

Change of Company Name

As the Group then planned expand its resources-related projects into those containing precious metal resources (such as gold) and in order to better reflect the principal activities of the Group, the Board proposed in October 2009 that the name of the Company be changed from "Sino Prosper Holdings Limited 中盈控股有限公司" to "Sino Prosper State Gold Resources Holdings Limited 中盈國金資源控股有限公司".

The special resolution regarding the change of the name of the Company to "Sino Prosper State Gold Resources Holdings Limited 中盈國金資源控股有限公司" was passed by shareholders at an extraordinary general meeting held on 23 November 2009. The Certificate of Incorporation on change of name dated 24 November 2009 and issued by the Registrar of Companies in the Cayman Islands was received on behalf of the Company on 8 December 2009. The Company carried out the necessary filing procedures with the Companies Registry in Hong Kong, and the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company dated 21 December 2009 was received by the Company on the same day. With effect from 28 December 2009, the shares of the Company have been traded under the new name. The English stock short name of the Company has been changed from "SINO PROSPER " to "SINO PROSPER SG" and the Chinese stock short name has been changed from "中盈控股" to "中盈國金資源". The stock code of the Company has remained unchanged as "766".

Subsequent Developments

During and following the end of the current fiscal year, a number of significant developments took place. Below is a brief description of these events.

Investment in Gold Mine Project in Inner Mongolia, the PRC

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

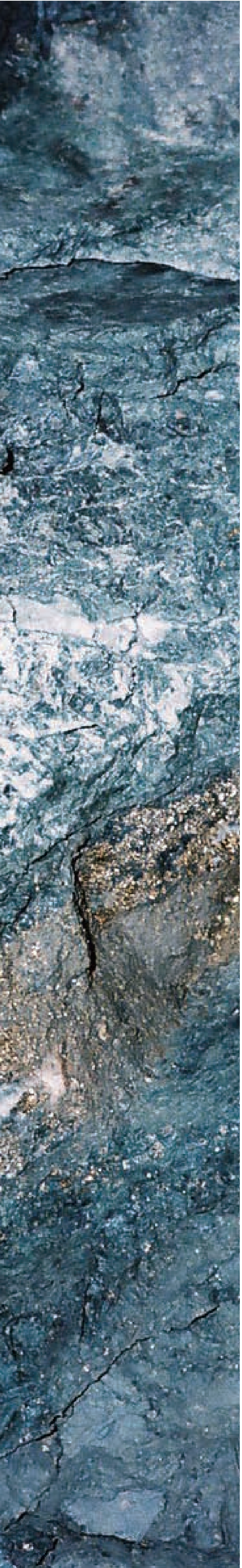
The sole asset of Target IM is the entire issued capital of Target GS, which is expected to contribute and own 70% of the registered and paid up capital of the PRC Company. The PRC Company is the holder of a permit for the mining of gold at a mine located at Gouliang Town, Aohanqi, Inner Mongolia Autonomous Region, the PRC.

Save as disclosed in the announcement dated 29 June 2010, all conditions precedent to the completion of the Inner Mongolia Acquisition were fulfilled, and the transaction was completed on 29 June 2010 (which date falls after the Reporting Period). As at the date of this report, a portion of the Consideration in the sum of HK$31.8 million has not yet been paid to Mr. Hong, and such portion will be paid in accordance with the Inner Mongolia Agreement within 10 business days after obtaining the approvals relating to the change of the directors and the legal representative of the PRC Company from the relevant PRC governmental department(s), the registration of particulars contained in the business licence issued by the Administration for Industry and Commerce (which licence states the paid-up capital of the PRC Company to be RMB10 million) and the approval obtained from the Department of Commerce of Inner Mongolia Autonomous Region to increase the registered capital of the PRC Company to RMB50 million.

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

Additional Investment in Zhongyi Weiye

On 17 May 2010, Victor Bright Investment Limited ("VB"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("2010 Acquisition Agreement") with Ms. Gao Liyan ("First Vendor") and Mr. Song Yang ("Second Vendor") for the acquisition from the First Vendor and Second Vendor ("the Vendors") an aggregate of 27% equity interest in Zhongyi Weiye, of which 13% equity interest was agreed to be acquired from the First Vendor and 14% equity interest from the Second Vendor, subject to the conditions and terms of the 2010 Acquisition Agreement. At the time of entering into the 2010 Acquisition Agreement, Zhongyi Weiye was a 65% equity owned subsidiary of the Company. The consideration for the 2010 Acquisition Agreement is RMB24 million in aggregate (subject to adjustment), of which RMB11.56 million will be payable to the First Vendor and RMB12.44 million will be payable to the Second Vendor. The consideration will be payable in the form of cash only.



MANAGEMENT DISCUSSION & ANALYSIS

As at the date of this report, some of conditions precedent to the completion of the 2010 Acquisition have been fulfilled, and the transaction has not been completed.

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

The Company confirms that in connection with the 2010 Acquisition Agreement, it has complied with all the applicable requirements under Chapter 14A of the Listing Rules.

Future direction

The Group has been transforming to focus on the mining and production of precious metals in China. Following the completion of the 2009 Acquisition and the Inner Mongolia Acquisition, the Group took steps which lay foundations for preparing JORC-compliant reports on mineral resources for the mines in Heilongjiang, the exploration permits in respect of which are held by Heilongjiang Zhongyi Weiye. Steps have also been taken with the objective of expanding the processing capacity of the PRC subsidiary which holds a gold-mining permit in respect of a mine located at Gouliang Town, Aohanqi, Inner Mongolia. The Company plans to issue in the future periodic updates on the Group's operations (excluding financial information) and programmes, so as to increase transparency and to provide Shareholders with information on its corporate development.

Save as mentioned or disclosed by announcements or circulars issued by the Company, there are no material changes in respect of the development of the business of the Group or important events affecting the Group which have occurred since the publication of the Company's annual report for the year ended 31 March 2009.

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 2010 Acquisition, which disclosed publicly certain details of the resources of certain mines, the exploration permits in respect of which are held by Zhongyi Weiye.

Under Rule 18.15 as contained in the new 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 report, there has not been any material change in the details of such resources.

FINANCIAL REVIEW

For the year ended 31 March 2010, the Group recorded total turnover of approximately HK$41,824,000 which comprises a turnover of (i) approximately HK$23,705,000 from the sale of fuel oil and chemicals (year ended 31 March 2009: approximately HK$21,817,000); and (ii) approximately HK$18,119,000 from the sale of gold (year ended 31 March 2009: HK$Nil). For the year ended 31 March 2009, the Group recorded a turnover of approximately HK$9,518,000 from the sale of steel products. Total Group turnover increased by approximately 33% as compared to last year. Such increase was mainly attributable to the generation of turnover from the sale of gold. For the year ended 31 March 2010, the Group's net loss attributable to shareholders was approximately HK$58,882,000 (year ended 31 March 2009: approximately HK$9,764,000). The increase in the Group's net loss attributable to shareholders was mainly due to (i) the loss on early redemption of promissory note of approximately HK$30,218,000 and (ii) the finance costs on convertible bonds and promissory note of approximately HK$11,802,000, which are mainly arising from adopting the effective interest rate method on calculating the amortized cost of a debt instrument and of allocating interest expenses and (iii) the increase in general and administrative expenses, as additional manpower was recruited and deployed to develop the Group's precious metal business.

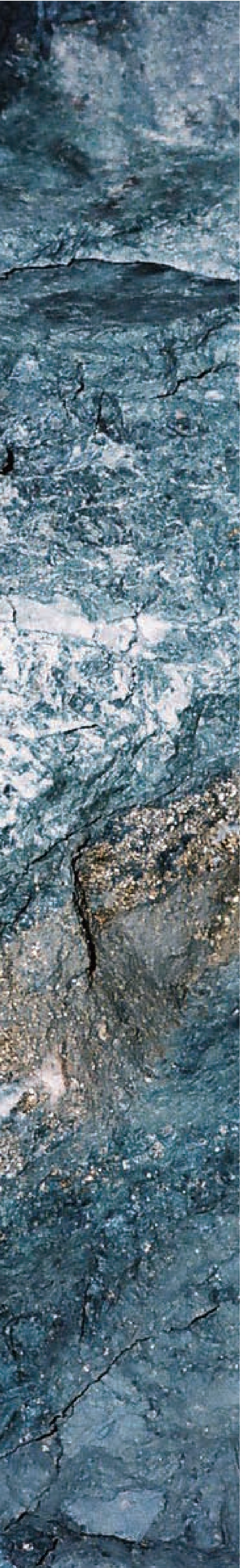
As at 31 March 2010, the Group recorded total assets of approximately HK$1,249,396,000 (as at 31 March 2009: approximately HK$315,650,000), and recorded total liabilities of approximately HK$178,563,000 (as at 31 March 2009: approximately HK$41,430,000). The Group's net asset value as at 31 March 2010 increased by 290.50% to approximately HK$1,070,833,000 as compared to approximately HK$274,220,000 as at 31 March 2009. The significant increase in the Group's net asset value was mainly attributable to the exploration and evaluation assets of approximately HK$1,021,072,000 arising from the acquisition of Nice Think Group Limited as set out in Note 33(a) to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and capital fund raising activities. For the year ended 31 March 2010,

(i) 36,000,000, 24,000,000, 24,000,000, 12,000,000, 24,000,000 and 24,000,000 ordinary shares were issued upon the exercise of share options at an exercise price of HK$0.05, HK$0.12, HK$0.125, HK$0.136, HK$0.137 and HK$0.150 per share, respectively, giving rise to an aggregate net proceeds of approximately HK$16,200,000; and

(ii) 342,270,000 ordinary shares were issued by way of placing of existing shares and top-up subscription of new shares pursuant to (a) a placing agreement dated 14 October 2009 entered into between the Company, Mr. Leung Ngai Man ("Mr. Leung") and the placing agent, whereby the placing agent has agreed to place on a best effort basis, up to 342,270,000 ordinary shares to not less than six placees at an issue price of HK$0.25 per share, and (b) a subscription agreement dated 14 October 2009 entered into between the Company and Mr. Leung, whereby Mr. Leung has conditionally agreed to subscribe for up to 342,270,000 shares at a subscription price of HK$0.25 per share; giving rise to an aggregate net proceeds of approximately HK$84.6 million, which are intended to be used as general capital of the Group and to finance any possible acquisition plan of the Group in the future.



MANAGEMENT DISCUSSION & ANALYSIS

As at 31 March 2010, the Group had cash and bank balances of approximately HK$216,030,000 (as at 31 March 2009: approximately HK$230,232,000). As at 31 March 2010, the Group had outstanding borrowings of approximately HK$152,442,000 (as at 31 March 2009: approximately Nil). Its gearing ratio calculated as a ratio of net debt to total equity was Nil (as at 31 March 2009: Nil). As at 31 March 2010, net current assets totalled approximately HK$200,247,000 (as at 31 March 2009: approximately HK$273,487,000) and the current ratio was maintained at a level of approximately 8.7 (as at 31 March 2009: approximately 7.6).

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 2010, the Group had no contingent liabilities (as at 31 March 2009: Nil).

CAPITAL COMMITMENTS

At 31 March 2010, the Group had the following commitments which were not provided for in the financial statements:

	2010 **HK$'000**	2009 HK$'000
Contracted but not provided for:		
– Investment in a joint venture company *(Note)*	**39,001**	40,544
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	**1,000**	–
– Exploration and evaluation expenditures	**659**	–
	40,660	40,544

Note: Pursuant to a joint venture agreement dated 4 February 2005 entered into between Sino Prosper Gas Limited ("SPGL" – a wholly owned subsidiary of the Company) and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the PRC for a term of 30 years commencing from the date of issue of the business license of the joint venture company, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas.

On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company is RMB50 million which is to be contributed by SPGL as to RMB47.5 million and by the New Joint Venture Partner as to RMB2.5 million. At 31 March 2010, approximately RMB13.2 million, equivalent to approximately HK$14.3 million (2009: approximately RMB11.8 million, equivalent to approximately HK$12.8 million) has been contributed by SPGL.

The joint venture company, namely 中油中盈石油燃氣銷售有限公司, was treated as a subsidiary of the Group at 31 March 2010.

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

FOREIGN EXCHANGE EXPOSURE

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

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all 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 2010, the Group employed 53 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

CHINA GOLD MARKET OVERVIEW

Sino Prosper is an important component of the next generation of PRC mining companies emerging from the private sector. Hong Kong listed and managed by an internationally savvy team of mining executives, Sino Prosper is committed to building operations on the foundation of a Mainland mind set and operational focus. Given its unique corporate culture, and major changes in the China mining industry, a golden opportunity exists for a precious metal mining player funded by global capital and focused on domestic expansion with a clear understanding of local business culture and international best practices.

At present, a new balance of power is emerging in the China mining industry. On one hand, capital rich PRC mining concerns are being sponsored by the central government to enter the global minerals and resources market. Billions of dollars are being spent to secure resources needed to support China's continued economic growth. On the other hand, foreign firms have departed from the China market for a myriad of reasons. From a peak of activity in 2000, when over 200 foreign junior mining firms were active, the ranks of foreign players in China have shrunken significantly.

China has traditionally promoted mining development through state-owned prospecting, mining and mineral processing enterprises. However, in the current environment, central and provincial governments wish to develop the industry with the aid of private sector capital, technology and expertise. This will originate from an emerging class of domestic private concerns, private sector businesses listed on a public market (such as Sino Prosper), state-owned enterprises listed on the Hong Kong Exchange and foreign players.

Gold Market Fundamentals

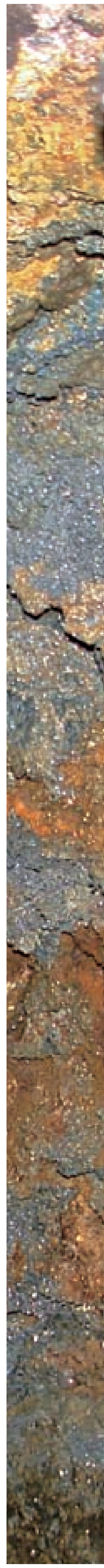
	2011E	2010E	2009	2008	2007
Gold Price (US$/oz)	$1,150	$1,150	$972	$873	$696
Mine Production	2,603	2,577	2,502	2,414	2,478
Total Supply	3,803	3,827	4,089	3,862	3,920
Consumption	3,697	3,657	3,239	3,946	4,008
Market Balance	106.0	169.9	850.3	-83.5	-88.3
Production Growth	1.0%	3.0%	3.6%	-2.6%	-0.3%
Total Supply Growth	-7.0%	-6.4%	5.9%	-1.5%	-1.5%
Consumption Growth	14.1%	12.9%	-17.9%	-1.6%	4.4%

Source: GFMS

GROWTH FACTORS

Sino Prosper believes that its prospects in the China gold market are underpinned by a series of interlinked factors that include everything from the course of currencies to gold price trends, economic growth and global demand. With the majority of these factors headed in a positive direction, and armed with one of the world's lowest gold production costs to reduce the risk of downside gold price scenarios, Sino Prosper holds a positive outlook on the precious metals mining industry for the year ahead.

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 continued to grow at the fastest pace in the world in 2009. With an increase in output of more than 11%, China accounted for 13% of global production. This is in sharp contrast to world gold output, which faced negative growth for most of the last decade.

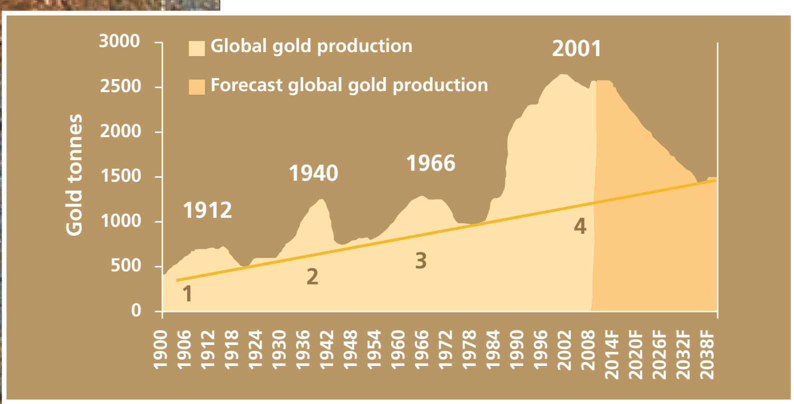


CHINA GOLD MARKET OVERVIEW

China's upward trend continues. In the first four months of 2010, China produced 99 tonnes of gold, up 5.6% from the same 2009 period. Analysts predict that the 314 tonnes production record set in 2009 will be surpassed again. This positive trend will be maintained into the future if reserve figures are an indication. China gold reserves were estimated to have risen to 6,750 tonnes in 2009 from a record 6,000 tonnes in 2008. This was achieved during a period of domestic gold mining consolidation. From 2003 to 2009, the number of Chinese gold producers decreased to 700 from over 1,000.

Currently, China is poised to surpass India as the world's largest gold consumer, with demand expected to double from current levels over the next decade fueled by jewelry consumption and investment, according to the World Gold Council. China per capita consumption of jewelry is one of the lowest at 0.26 grams when compared to countries with similar gold cultures. If gold were consumed at the same rate per capita as in India and Hong Kong, annual Chinese demand could increase by at least 100 tonnes.

Global Gold Production Outlook



Source: Credit Suisse Standard Securities

According to the GFMS Gold Survey 2009, the five-year global demand average for gold reached 3,600 tonnes between 2004 to 2008, with 2,436 tonnes for jewelry, 670 tonnes for investment and 493 tonnes used by industry. Compared with the global average, China's demand for gold was more heavily skewed towards jewelry. Mined gold is the dominant supply in China, contributing more than 80% of gold supply.

Another important driving factor for gold demand is the desire of sovereign governments to buy gold as a hedge against currencies, primarily the US dollar. India has led the way in this regard, and its purchase of over 690 tonnes in 2009 was an impetus for another round of gold price rises. Overall, analysts expect the China central bank to follow the route of India and other governments in the coming years with significant gold purchases. Although China had the world's highest foreign reserves at US$2.4 trillion in 2009, its official gold reserve is only 1,054 tonnes. This translates to gold as a percentage of total reserves of 1.5%, compared with the average of 10.2% for all countries, as reported by a leading investment bank focused on mine research.

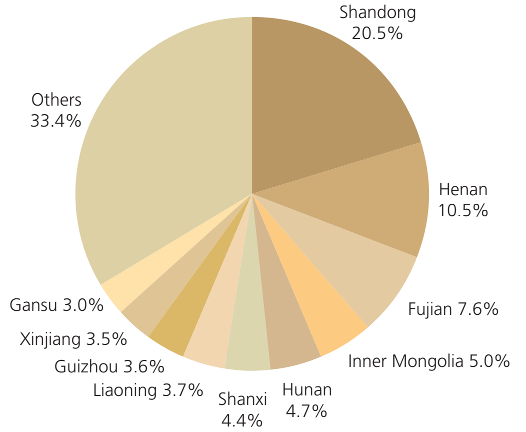
PRICE TRENDS

Sino Prosper is well positioned when it comes to hedging its bet on fluctuating gold prices due to its expected low production cost and rapidly increasing production levels. However, there is no denying that the higher the price of gold the better performance Sino Prosper can achieve. While even the most sanguine analyst will admit that the gold price is hard to call at the best of times, the price of bullion is set for a tenth annual gain as central banks, pension funds and individual buyers seek to protect assets.

After a strong 2009, gold and other precious metals are generally projected to do well in coming years. Gold has continued to set new records, with an all time high (Comex close) of US$1,256.80 reached on 18 June 2010. Overall, the gold price finished Q2 2010 with a 13% rise and in the year to June 30, 2010, gold was up by 34%.

The key drivers in the gold price are US dollar and currency devaluation concerns, a pending move to a higher inflation environment, and rising gold consumption as the world exits from recession. Other factors include the end to producer de-

PRC Provinces Gold Production (2008)



Source: China Gold Association

hedging, central bank net buying and concerns over excessive US and European debt.

There are many sides to every story when it comes to analysis on where the gold price is headed. Some analysts have noted that if inflation and economic growth move materially higher than the "base case" or if the dollar moves materially lower, gold may rally sharply above US$1,600/oz in 2011.

This bull market scenario could be further fuelled by investor concern over government policy to impose an inflation tax on US sovereign debt holders and an abrupt end to the dollar's dominance as a reserve currency. The breakout of a sovereign debt crisis due to elevated deficits could send gold to even higher levels than forecast. Capital would flow heavily into ETFs, bullion and gold equities under these conditions. Furthermore, a sovereign crisis fuelled financial meltdown could rally gold above the bull case.

Just as there is a case for gold performing better than expected, there are scenarios that could derail gold prices. A major interest rate hike by the Federal Reserve represents the biggest risk. Such a rate rise removes two key reasons for investors to buy gold – inflation and US dollar worries. Higher rates should cool inflationary expectations and further support the dollar while reducing liquidity and increasing the cost to hold a zero yielding asset. Less concern surrounding the dollar and inflation may reduce ETF gold buys, thus increasing the stock of gold. An abrupt end to ETF buying could move prices sharply lower.

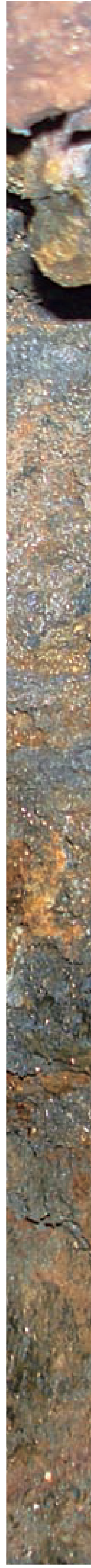
Australia's Foster Stockbroking believes gold will be supported by US dollar uncertainty, private investor demand and central bank repositioning of gold reserves, particularly in China. A rebounding global economy will not result in a falling price due to the divergence from US holdings of foreign reserves by China, and other emerging economies, is a trend in the medium- to long-term. Similarly, the renewed interest in private sector purchases provides ongoing support for higher gold prices.

Short-term Foster's expect prices to be sustained around US$1,200/oz, sufficient to encourage increased mine supply and higher than normal long-term levels of scrap sales to meet the appetite of net official and private sector purchases. Beyond 2014, Fosters expect central bank reserves to be rebalanced and prices to retreat towards US$1,000/oz, with a longer-term price assumption of US$800/oz.

Australian mining specialist Resource Capital Research (RCR) believes that if one takes away the "crisis mentality" gold looks precarious. RCR notes that with further crisis momentum, gold it could continue to set more records. On balance, RCR is cautious on the medium term outlook for gold, and sees more chance of gold trading below the US$1,200/oz mark, than above it. The RCR gold price forecast for the balance of 2010 is US$1,175/oz, with trading mostly in the range of US$1,150/oz to US$1,200/oz.

PRODUCTION COSTS

On a basic level, the margin between the gold price and all-in production costs is a strong indication of profit levels. With an aim of maintaining the cost of production

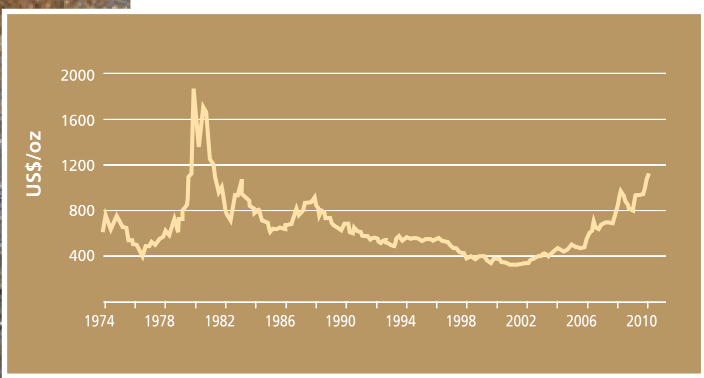


at below US$200/oz, Sino Prosper is in a solid position to deliver profitability at current gold price levels and can withstand even the most major gold price drop.

According to GFMS, the average global cash cost for gold production rose 18% year over year, or US$72/oz to US$467/oz in 2008. The lower quartile of gold producers has a cash cost of US$385/oz, the mid-quartile US$451/oz and the upper quartile US$572/oz.

The cash production cost for Chinese gold mining companies, in particular those listed as Hong Kong H-shares, is globally competitive. The average total cash cost for producing gold for Chinese companies, as per a group of listed companies covered by UBS, is around US$425/oz. This compares with US$410/oz for North American companies and US$370/oz for Australian companies. On the other hand, Chinese mining companies hold relatively small gold reserves, despite China being the largest producer.

Long-Term Real Gold Price (US$/oz in 2009 US$)



Source: Foster Stock Brokering

Given a cash production cost of under US$200/oz, Sino Prosper is less averse to price trend movements in the marketplace than the vast majority of mining companies. This is critical given that analysts feel the biggest risk for gold mining companies is price fluctuation. Based on sensitivity analysis, UBS estimated that a 10% change in the gold price would affect the largest China producers EPS by as much as 26%, as price to earnings is a major valuation method and investment in gold companies is correlated to price.

HISTORIC TRENDS

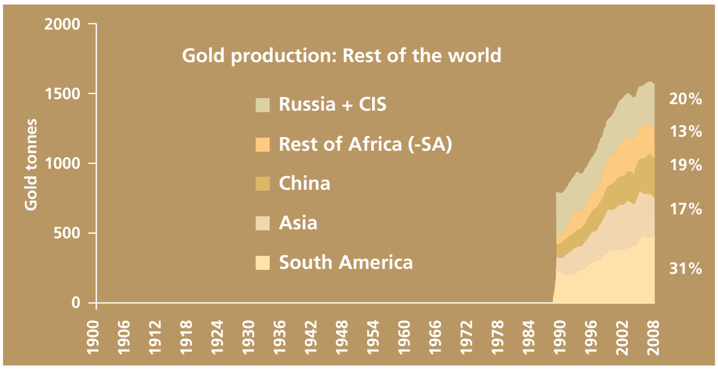
It is interesting to consider China's recent rise to dominance in the gold industry, and the impact this rise has on the Sino Prosper business, in the overall context of historical developments on an industry wide basis. According to Credit Suisse Standard Securities (CSSS), from 1900 to 2008 global gold production increased from around 380 tonnes to 2,420 tonnes. CSSS analysts point out that this increase was not constant over the period and was characterized by three marked cycles and a fourth incomplete cycle, with production peaks in 1912 (710 tonnes), 1940 (1,250 tonnes), 1966 (1,280 tonnes) and 2001 (2,650 tonnes).

China has played only a modest role in past 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. This notable trend bodes well for Sino Prosper activities in the precious metals industry in the years ahead.

When studying the historic trend, it is clear that the build-up to the peak in each cycle is often due to global gold discoveries and technology advances in exploration, extraction and mining. Monetary policy is another area of importance. The rise to US$35/oz from US$20/oz in 1934 took place after monetary devaluation of the British pound. The move away from the gold standard in 1971 has had an immense impact in the fourth cycle.

Troughs within these cycles are usually attributed to major events, such as the economic period during and between World War I and World War II and

Global Gold Production: Rest of World



Source: GFMS, World Gold Council, Government records

global economic crises. Lower mining grades, increased production costs and diminished reserves due to limited discoveries have taken a toll on production.

According to CSSS, the first cycle (1912 peak) was driven by discoveries from North America, Australia and South Africa. The second (1940 peak) resulted in the gold price being revalued to US$35/oz, which incentivized exploration from gold producers in North America, Australia, Russia, the Philippines, Mexico and Ghana. The third cycle (1966 peak) was discovery driven once again, with South Africa taking the lead in an initiative that eventually secured the country 78% of world production (as opposed to 10% in 2009).

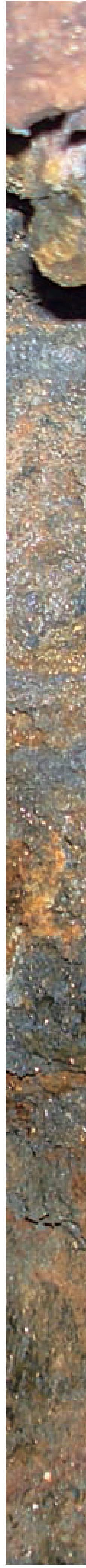
Currently, we are in the fourth cycle, which may have peaked in 2001 at 2,646 tonnes. Generally, floating rate gold price in 1971 supported mining investment. As a result exploration and production followed an upward trend in the mid-1980s. Another driver of this cycle is the gold price. Since 1984 gold price has risen from an average of US$360/oz to an average of US$974/oz in 2009 and well over US$1,200 in 2010. The increase in price pushed exploration and extended the life of mines. In addition, advances in production and exploration technology and methodology have improved effectiveness and efficiency.

The 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 figures produced by CSSS. Within this context, the dominance of China is rapidly becoming a driving factor in a fourth cycle that seems to be moving from strength to strength.

CSSS believes the decade long year-on-year global mine production decline will likely halt until 2013-2014, due to the large number of growth projects to be commissioned. It is expected that global production for the fourth production cycle will be in more rapid decline after 2013-2014 as global exploration discovery is unlikely to be sufficient to replace production.

CONCLUSION

As the China central government pushes for a more diversified base in the domestic mining sector, a distinct void has been created. As large state-owned enterprises head overseas in search of new horizons and foreign players reduce involvement in China, an opportunity exists for a different type of participant in the PRC precious metals mining sector. Given this investment and operating climate, Sino Prosper is poised to entrench its role in the China mining industry as a private sector dynamo with status as a Hong Kong listed enterprise backed by foreign investors, a motivated management team and connections that support its positioning in the mining industry. For Sino Prosper the path ahead is set, the vision is clear and golden opportunities abound.



DIRECTORS' AND MANAGEMENT PROFILE

Mr. LEUNG Ngai Man, 49, is the founder and Chairman of the Group. Appointed as an executive Director in 2001, Mr. Leung is a director of almost all of the Group's subsidiaries. Active in China since the early 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 Chairman and Executive Director of China Metal Resources Holdings Limited (stock code: 8071), the shares of which are listed on the Growth Enterprise Market of Hong Kong Stock Exchange (GEM). Mr. Leung is a shareholder and Director of Climax Park Ltd., which holds an interest in Sino Prosper as disclosed in the section headed "Substantial Shareholders and Other Persons' Interests and Short Positions in Shares and Underlying Shares" as disclosed in the Directors' Report of this Annual Report.

Mr. SUNG Kin Man, 38, graduated from 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 Sino Prosper Mr. Sung was an Executive Director of UBS Securities Asia Ltd., responsible for business in Greater China and a director of Global Equity of Merrill Lynch Asia Inc. from 2005 to 2007.

Mr. YEUNG Kit, 47, joined the Group in 2001 and was appointed as an Executive Director in 2002. Mr. Yeung is a Director of Sino Prosper Gas Ltd., Joint Profit Group Ltd., Konrich (Asia) Ltd., Sino Prosper Medical Technology Ltd., Sino Prosper LNG Ltd. and Sino Prosper Coal Mining Investment Ltd., all being wholly-owned subsidiaries of Sino Prosper. Mr. Yeung has over one decade of experience in banking and finance, and nearly two decades of experience in China trade and investment.

Mr. WONG Wa Tak, 47, joined the Group in 2005 and was appointed as an Executive Director in 2005. Mr. Wong is a director of Sino Prosper Gas Ltd., a subsidiary of Sino Prosper. Mr. Wong graduated from Hong Kong Polytechnic University and obtained a Master's of Science in Corporate Governance & Directorship from Hong Kong Baptist University. Mr. Wong has over a decade of experience in the shipping industry, particularly in bulk cargo transportation for petroleum products, chemicals and gas cargoes. Since 1993, Mr. Wong has concentrated on equity investment and business development in China. Over nearly two decades, Mr. Wong was involved in numerous merger and acquisition transactions, covering real estate development, power plants, toll roads and mining business. Mr. Wong has in-depth experience in the usage of asphalt for toll road/high way construction and maintenance.

Mr. NG Kwok Chu, Winfield, 52, joined the Group as an Executive Director in 2009. Mr. Ng has over 20 years of experience in consumer and commercial finance in Hong Kong and China. Mr. Ng is an Executive Director of China Metal Resources Holdings Ltd. (stock code: 8071), listed on GEM, and an Independent Non-Executive Director of Long Success International (Holdings) Ltd. (stock code: 8017), listed on GEM. Mr. Ng was an Independent Non-Executive Director of The Quaypoint Corporation Ltd. (stock code: 2330) from September 2006 to November 2008.

DIRECTORS' AND MANAGEMENT PROFILE

Mr. CAI Wei Lun, 55, 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. CHAN Sing Fai, 54, joined the Group in 2002 and was appointed an Independent Non-Executive Director. Mr. Chan obtained a Master in Business Administration from Chinese University of Hong Kong in 1981. Mr. Chan is also Chairman of Finnex Development Ltd. Mr. Chan has nearly three decades of experience in property development and management. He was an Executive Director of China Outdoor Media Group Ltd. (previously eCyberChina Holdings Ltd.) (stock code: 0254) and an Independent Non-Executive Director of China Metal Resources Holdings Ltd. (stock code: 8071), listed on GEM.

Dr. LEUNG Wai Cheung, 45, joined the Group in 2004 and is an Independent Non-Executive Director. Dr. Leung is currently CFO of FlexSystem Holdings Ltd. (stock code: 8050), listed on GEM and Independent non-Executive Director of Hong Kong-listed Mobicon Group Ltd. (stock code: 1213). Dr. Leung is also an Independent Non-Executive Director of China Metal Resources Holdings Ltd. (stock code: 8071), listed on GEM. Dr. Leung was the Independent Non-Executive Director of Hong Kong listed Wing Hing International (Holdings) Ltd. (stock code: 0621) and United Gene High-Tech Group Ltd. (formerly Far East Pharmaceutical Technology Company Ltd.) (stock code: 0399).

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 professor of the European University and a visiting lecturer of Open University of Hong Kong (LiPACE) and University of Hong Kong (SPACE).

Ms. CHIU Ngan Ling Annie, 42, joined the Group as Company Secretary in 2006. Ms. Chiu holds a Bachelor degree in Arts majoring in Accountancy 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, an associate member of Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities Institute.

Ms. WU Wei Hua, aged 39, joined the Group in 1996. Ms. Wu is the Financial Controller of the Group in China. Ms. Wu holds a Bachelor degree in Textile Engineering from Donghua University in the PRC. She has over 14 years of accounting experience.

CORPORATE GOVERNANCE REPORT

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 ("Board") of directors ("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 2010:

(i) CODE PROVISION A.2.1

Pursuant to Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer of listed issuers should be separate and should not be performed by the same individual. A former Chief Executive Officer ("CEO") of the Group resigned with effect from 22 February 2008. Subsequent to 22 February 2008 and up to 31 October 2009, the Company did not appoint any individual to fill in the post of chief executive officer and the responsibilities of the chief executive officer were performed by the Chairman. A chief executive officer (namely, Mr. Sung Kin Man) was appointed with effect from 1 November 2009.

(ii) CODE PROVISION B.1.3(b)

Pursuant to Code Provision B.1.3(b) of the Code, the Remuneration Committee should have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management and make recommendations to the Board of the remuneration of non-executive Directors. However, for the year ended 31 March 2010, a salaried Executive Director was appointed and his remuneration was mutually agreed between the Chairman of the Board and that Executive Director. To ensure compliance with the Code, Remuneration Committee meeting will be held to determine remuneration packages of all executive Directors and any newly appointed Directors in the future.

(iii) CODE PROVISION E.1.2

Pursuant to Code Provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting held on 25 September 2009 in order to attend to other matters. A Director was present at the annual general meeting to chair the meeting. To ensure compliance with the Code, the Company will arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors (including the Chairman of the Board) can attend the annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, the Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 March 2010 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)* (appointed on 1 November 2009)
Mr. Yeung Kit
Mr. Wong Wa Tak
Mr. Ng Kwok Chu, Winfield (appointed on 26 June 2009)

Independent Non-Executive Directors

Mr. Cai Wei Lun
Mr. Chan Sing Fai
Dr. Leung Wai Cheung

The biographical details of the Directors are set out on pages 20 to 21 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 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 the three 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 2010, 28 Board meetings were held and the individual attendance of Directors is set out below:–

Executive Directors	**Attendance**
Mr. Leung Ngai Man	22/28
Mr. Sung Kin Man	7/28
Mr. Yeung Kit	28/28
Mr. Wong Wa Tak	21/28
Mr. Ng Kwok Chu, Winfield	15/28
Independent Non-Executive Directors	
Mr. Cai Wei Lun	24/28
Mr. Chan Sing Fai	17/28
Dr. Leung Wai Cheung	25/28

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 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 throughout the year. Since the resignation of the previous CEO on 22 February 2008 and up to 31 October 2009, the responsibilities of the CEO were performed by the Chairman, Mr. Leung Ngai Man. A new CEO (namely, Mr. Sung Kin Man) was appointed with effect from 1 November 2009.

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.

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 2010, two remuneration committee meetings were held and the individual attendance of its members is set out below:–

Independent Non-Executive Directors		**Attendance**
Mr. Chan Sing Fai	Chairman	2/2
Mr. Cai Wei Lun	Member	2/2
Dr. Leung Wai Cheung	Member	2/2
Executive Directors		
Mr. Leung Ngai Man	Member	2/2
Mr. Yeung Kit	Member	2/2

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 year ended 31 March 2010, two audit committee meetings were held and the individual attendance of its members is set out below:–

Independent Non-Executive Directors		Attendance
Mr. Chan Sing Fai	Chairman	2/2
Mr. Cai Wei Lun	Member	2/2
Dr. Leung Wai Cheung	Member	2/2

During the aforesaid meetings, members of the audit committee reviewed the Group's annual results for the year ended 31 March 2009 and interim results for the six months period ended 30 September 2009 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.

AUDITORS' REMUNERATION

During the year ended 31 March 2010, 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	620
Non-audit services	480

ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the year ended 31 March 2010 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 financial statements for the year ended 31 March 2010.

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 2010.

INTERNAL CONTROLS

The Board has conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, compliance controls and risk management functions. In addition, the Board has considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The internal control system is designed to provide reasonable, but not absolute assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

DIRECTORS' REPORT

The directors (the "Directors") of Sino Prosper State Gold Resources Holdings Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010.

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 the People's Republic of China ("PRC") and other countries. Details of the subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 March 2010 and the state of affairs of the Group as at that date are set out on pages 40 to 103 of this annual report.

The Directors do not recommend payment of any dividend in respect of the financial year ended 31 March 2010.

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 104 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 financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in notes 27, 28 and 30 respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 44 and in note 29 to the 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 2010, the reserves of the Company available for distribution to shareholders amounted to approximately HK$222,825,000 (2009: approximately HK$37,566,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 79.8% of the total sales for the year and sales to the largest customer included therein amounted to 43.3%. Purchases from the Group's five largest suppliers accounted for 88% of the total purchases for the year and purchases from the largest supplier included therein amounted to 48%.

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)* (appointed on 1 November 2009)
Mr. YEUNG Kit
Mr. WONG Wa Tak
Mr. NG Kwok Chu, Winfield (appointed on 26 June 2009)

Independent Non-Executive Directors:

Mr. CAI Wei Lun
Mr. CHAN Sing Fai
Dr. LEUNG Wai Cheung

In accordance with Article 108(A) of the articles of association ("Articles") of the Company, Messrs Yeung Kit (an Executive Director of the Company), Wong Wa Tak (an Executive Director of the Company) and Chan Sing Fai (an Independent Non-Executive Director 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, Mr. Yeung will offer himself for re-election as Director. Mr. Wong and Mr. Chan, though both being eligible, will not offer himself for re-election due to the fact that they would like to spend more time in pursuing their own business development.

In accordance with Article 112 of the Articles, Mr. Sung Kin Man who was appointed as an Executive Director with effect from 1 November 2009 by the Board, shall hold office only until the Annual General Meeting and being eligible, offer himself for re-election at the Annual General Meeting.

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 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man has entered into a service contract with the Company for an initial term of one year commencing from 1 April 2009 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. Yeung Kit has entered into a service contract with the Company on 1 January 2009 for an initial term of two years commencing from 1 January 2009, 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. Wong Wa Tak has entered into a service contract with the Company on 15 January 2009 for an initial term of two years commencing from 15 January 2009, 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. Ng Kwok Chu, Winfield has entered into a service contract with the Company on 25 June 2009 for an initial term of one year commencing from 26 June 2009, 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. Chan Sing Fai has signed an appointment letter with the Company on 1 April 2008 for an initial term of two years commencing from 1 April 2008, 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.

Dr. Leung Wai Cheung has signed an appointment letter with the Company on 1 April 2008 for an initial term of two years commencing from 1 April 2008, 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 Company on 1 April 2008 for an initial term of two years commencing from 1 April 2008, 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 37 to the financial statements.

Save as disclosed above and in the section headed "Management Discussion and Analysis" in relation to the 2008 Acquisition Agreement and 2009 Acquisition Agreement and the disposal agreement as mentioned in Note 34 to the Financial Statements, 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 subject to reporting or announcement requirements under the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:–

(i) Interests and short positions in shares of the Company ("Shares") as at 31 March 2010

	Capacity	Number of ordinary shares *(Note 1)*	Approximate percentage of total issued shares *(Note 2)*
Executive Directors:			
Leung Ngai Man	Interest of a controlled corporation	163,550,000 (L) *(Note 3)*	6.14%
	Beneficial owner	1,954,931,813 *(Note 4)*	73.44%
Wong Wa Tak	Interest of a controlled corporation	1,600,000 (L) *(Note 5)*	0.06%

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 2,662,063,158 Shares in issue as at 31 March 2010 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options or warrants or convertible bonds which remained outstanding as at 31 March 2010.

3. These 163,550,000 Shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man. Under the SFO, Leung Ngai Man was deemed to be interested in these 163,550,000 Shares.

4. These 1,954,931,813 Shares were attributable to Leung Ngai Man. Among these shares, (a) 573,600,000 Shares were beneficially owned by Leung Ngai Man, (b) 1,209,781,813 Shares represented underlying Shares which may be issued to Mr. Leung upon the exercise of the conversion rights attaching to certain convertible bonds than held by him; (c) 8 million Shares represented underlying Shares for which Mr. Leung was entitled to subscribe upon exercise of certain options granted to him under the Company's Share Option Scheme; and (d) 163,550,000 Shares were beneficially owned by Climax Mark Limited which was solely owned by Mr. Leung.

5. These 1,600,000 Shares were held and beneficially owned by Master Hill Development Ltd., a company incorporated in Hong Kong with 50% of its shareholdings held and beneficially owned by Wong Wa Tak. Under the SFO, Wong Wa Tak was deemed to be interested in these 1,600,000 Shares held by Master Hill Development Ltd.

(ii) Interests and short positions in underlying Shares as at 31 March 2010

Name	**Capacity**	**Number of underlying Shares**	**Approximate percentage of total issued Shares** *(Note 1)*
Leung Ngai Man	Beneficial owner	8,000,000 *(Note 2)*	0.30%
Yeung Kit	Beneficial owner	6,400,000 *(Note 3)*	0.24%
Chan Sing Fai	Beneficial owner	800,000 *(Note 4)*	0.03%
Wong Wa Tak	Interest of a controlled corporation	3,000,000 *(Note 5)*	0.11%
Cai Wei Lun	Beneficial owner	3,400,000 *(Note 6)*	0.13%

Notes:

1. This percentage is calculated on the basis of 2,662,063,158 Shares in issue as at 31 March 2010 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options or warrants or convertible bonds which remained outstanding as at 31 March 2010.

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

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

4. Share options carrying rights to subscribe for 800,000 Shares were granted to Chan Sing Fai on 1 November 2004 pursuant to the share option scheme.

5. Share options carrying rights to subscribe for 7,000,000 Shares were granted to Master Hill Development Ltd. on 29 November 2004 pursuant to the share option scheme. Master Hill Development Ltd. exercised 4,000,000 share options on 8 February 2006 and as at 31 March 2010, it had 3,000,000 outstanding share options. 50% of the shareholdings of Master Hill Development Ltd. was held and beneficially owned by Wong Wa Tak. Under the SFO, Wong Wa Tak was deemed to be interested in these 3,000,000 share options held by Master Hill Development Ltd.

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

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 31 March 2010, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares" and "Share Option Scheme" of this 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 10% issued share capital in China Metal Resources Holdings Limited (stock code: 8071) ("CMR Holdings"). One of the principal activities of CMR Holdings and its subsidiaries is exploration of mining resources business in the 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 2010

As at 31 March 2010, the interests or short positions of persons, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	**Capacity**	**Number of ordinary Shares** *(Note 1)*	**Approximate percentage of shareholding** *(Note 2)*
Climax Park Limited	Beneficial owner *(Note 3)*	163,550,000 (L)	6.14
Kingston Finance Limited	Holder of security interest *(Note 4)*	1,780,451,813	66.88

Notes:

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

2. This percentage is calculated on the basis of 2,662,063,158 Shares in issue as at 31 March 2010 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options or warrants or convertible bonds which remained outstanding as at 31 March 2010.

3. Climax Park Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Leung Ngai Man, the chairman and an executive director of the Company.

4. Kingston Finance Limited had a security interest in these Shares. Kingston Finance Limited was a wholly owned subsidiary of Ample Cheer Limited which in turn was an 80% equity-owned subsidiary of Best Forth Limited which in turn was solely owned by CHU Yuet Wah. This security interest lapsed on 9 June 2010.

Save as disclosed above, as at 31 March 2010, 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 11 and 12, respectively to the 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. Details of the share option scheme are set out in note 28 to the financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 28 to the financial statements.

As at 31 March 2010, the Company had 116,600,000 share options outstanding under the share option scheme, which represented approximately 4.38% of the Shares in issue as at 31 March 2010. The share options exercised during the year resulted in the issue of 144,000,000 ordinary shares of the Company.

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

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

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 2010.

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 2010 have been reviewed by the Audit Committee.

AUDITORS

The accompanying accounts were audited by Messrs. HLB Hodgson Impey Cheng.

A resolution for their reappointment as auditors of the Company will be proposed at the Annual General Meeting.

On behalf of the Board
Leung Ngai Man
Chairman

Hong Kong, 27 July 2010

INDEPENDENT AUDITORS' REPORT

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 (collectively referred to as the "Group") set out on pages 40 to 103, which comprise the consolidated and company statements of financial position as at 31 March 2010, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2010 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, 27 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	5	**41,824**	31,335
Cost of sales		**(40,708)**	(30,774)
Gross profit		**1,116**	561
Other income and gains	7	**5,035**	6,147
General and administrative expenses		**(23,610)**	(16,275)
Loss on early redemption of promissory note	26	**(30,218)**	–
Finance costs	8	**(11,809)**	(40)
Loss before tax		**(59,486)**	(9,607)
Income tax	9	**355**	(355)
Loss for the year	10	**(59,131)**	(9,962)
Other comprehensive income			
Exchange differences on translating foreign operations		**1,909**	1,546
Other comprehensive income for the year, net of tax		**1,909**	1,546
Total comprehensive loss for the year		**(57,222)**	(8,416)
Loss attributable to:			
Owners of the Company		**(58,882)**	(9,764)
Minority interests		**(249)**	(198)
		(59,131)	(9,962)
Total comprehensive loss attributable to:			
Owners of the Company		**(57,637)**	(7,996)
Minority interests		**415**	(420)
		(57,222)	(8,416)
Loss per share	14		
Basic and diluted (HK cents per share)		**(2.80)**	(0.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**1,956**	733
Exploration and evaluation assets	*18*	**1,021,072**	–
		1,023,028	733
Current assets			
Inventories	*19*	**3,294**	–
Trade and other receivables	*20*	**7,022**	81,870
Amounts due from minority shareholders	*21*	**22**	2,815
Bank balances and cash	*22*	**216,030**	230,232
		226,368	314,917
Current liabilities			
Trade and other payables	*23*	**26,121**	40,951
Obligation under a hire-purchase contract	*24*	**–**	124
Tax liabilities		**–**	355
		26,121	41,430
Net current assets		**200,247**	273,487
Total assets less current liabilities		**1,223,275**	274,220
Non-current liabilities			
Convertible bonds	*25*	**47,072**	–
Promissory note	*26*	**105,370**	–
		152,442	–
Net assets		**1,070,833**	274,220
Capital and reserves			
Share capital	*27*	**26,621**	15,674
Share premium and reserves		**687,864**	257,461
Equity attributable to owners of the Company		**714,485**	273,135
Minority interests		**356,348**	1,085
Total equity		**1,070,833**	274,220

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 27 July 2010 and are signed on its behalf by:

Leung Ngai Man
Director

Yeung Kit
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	17	**656,554**	78
Current assets			
Amounts due from subsidiaries	17	**162,292**	139,492
Bank balances and cash		**52**	1,033
		162,344	140,525
Current liabilities			
Other payables	23	**1,316**	1,233
Amounts due to subsidiaries	17	**88,848**	8,235
		90,164	9,468
Net current assets		**72,180**	131,057
Total assets less current liabilities		**728,734**	131,135
Non-current liabilities			
Convertible bonds	25	**47,072**	–
Promissory note	26	**105,370**	–
		152,442	–
Net assets		**576,292**	131,135
Capital and reserves			
Share capital	27	**26,621**	15,674
Share premium and reserves	29	**549,671**	115,461
Total equity		**576,292**	131,135

Leung Ngai Man	**Yeung Kit**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 April 2008	12,862	215,275	2,440	61,495	12,640	29,281	(63,545)	270,448	1,505	271,953
Loss for the year	–	–	–	–	–	–	(9,764)	(9,764)	(198)	(9,962)
Other comprehensive income for the year	–	–	–	–	–	1,768	–	1,768	(222)	1,546
Total comprehensive loss for the year	–	–	–	–	–	1,768	(9,764)	(7,996)	(420)	(8,416)
Issue of new shares *(Note 27 (i))*	2,572	5,916	–	–	–	–	–	8,488	–	8,488
Transaction costs attributable to issue of new shares	–	(85)	–	–	–	–	–	(85)	–	(85)
Recognition of equity-settled share-based payments *(Note 28)*	–	–	–	1,560	–	–	–	1,560	–	1,560
Issue of ordinary shares under share option scheme *(Note 27 (ii))*	240	720	–	(240)	–	–	–	720	–	720
Balance at 31 March 2009	15,674	221,826	2,440	62,815	12,640	31,049	(73,309)	273,135	1,085	274,220

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Translation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 April 2009	15,674	221,826	2,440	62,815	12,640	31,049	–	(73,309)	273,135	1,085	274,220
Loss for the year	–	–	–	–	–	–	–	(58,882)	(58,882)	(249)	(59,131)
Other comprehensive income for the year	–	–	–	–	–	1,245	–	–	1,245	664	1,909
Total comprehensive loss for the year	–	–	–	–	–	1,245	–	(58,882)	(57,637)	415	(57,222)
Minority interests arising on the acquisition of subsidiaries *(Note 33 (a))*	–		–	–	–	–	–	–	–	355,746	355,746
Issue of new shares *(Note 27 (iii))*	3,423	82,145	–	–	–	–	–	–	85,568	–	85,568
Transaction costs attributable to issue of new shares	–	(949)	–	–	–	–	–	–	(949)	–	(949)
Issue of ordinary shares under share option scheme *(Note 27 (iv))*	1,440	16,200	–	(1,440)	–	–	–	–	16,200	–	16,200
Recognition of the equity component of convertible bonds *(Note 25)*	–	–	–	–	–	–	376,313	–	376,313	–	376,313
Conversion of convertible bonds *(Note 27 (v))*	6,084	141,851	–	–	–	–	(125,922)	–	22,013	–	22,013
Released upon disposal of subsidiaries *(Note 34)*	–	–	–	–	–	(158)	–	–	(158)	(898)	(1,056)
Balance at 31 March 2010	**26,621**	**461,073**	**2,440**	**61,375**	**12,640**	**32,136**	**250,391**	**(132,191)**	**714,485**	**356,348**	**1,070,833**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before tax		**(59,486)**	(9,607)
Adjustments for:			
Finance costs		**11,809**	40
Interest income		**(900)**	(1,321)
Gain on disposal of property, plant and equipment		**(93)**	–
Gain on disposal of subsidiaries	*34*	**(3,886)**	–
Loss on early redemption of promissory note	*26*	**30,218**	–
Depreciation for property, plant and equipment		**442**	293
Expense recognized in respect of equity-settled share-based payments expenses		**–**	1,560
		(21,896)	(9,035)
Movements in working capital			
Increase in inventories		**(3,294)**	–
Decrease/(increase) in trade and other receivables		**23,480**	(2,391)
Decrease in amounts due from minority shareholders		**–**	733
(Decrease)/increase in trade and other payables		**(20,754)**	15,562
Cash (used in)/generated from operations		**(22,464)**	4,869
Interest received		**900**	1,321
Net cash (used in)/generated by operating activities		**(21,564)**	6,190
Cash flows from investing activities			
Payments for property, plant and equipment		**(197)**	(29)
Additions of exploration and evaluation assets		**(2,828)**	–
Acquisition of subsidiaries	*33*	**(1,080)**	–
Refund of deposit paid upon termination of acquisition agreement relating to acquisition of subsidiaries	20	**56,776**	–
Deposit paid for acquisition of subsidiaries	*20*	**(4,136)**	(56,776)
Disposal of subsidiaries	*34*	**5,921**	–
Net cash generated by/(used in) investing activities		**54,456**	(56,805)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	*27(iii)*	**85,568**	8,488
Shares issue expenses		**(949)**	(85)
Proceeds from issue of ordinary shares through exercise of share options	*27(iv)*	**16,200**	720
Repayment of promissory note	*26*	**(147,728)**	–
Capital repayment of hire-purchase obligation		**(31)**	(186)
Interest paid		**(7)**	(40)
Net cash (used in)/generated by financing activities		**(46,947)**	8,897
Net decrease in cash and cash equivalents		**(14,055)**	(41,718)
Cash and cash equivalents at the beginning of year		**230,232**	270,413
Effect of foreign exchange rate changes		**(147)**	1,537
Cash and cash equivalents at the end of year		**216,030**	230,232
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**216,030**	230,232

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.

Pursuant to the special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 23 November 2009, the English name of the Company was changed from "Sino Prosper Holdings Limited" to "Sino Prosper State Gold Resources Holdings Limited" and 中盈國金資源控股有限公司 has been adopted by the Company as its new Chinese name. The change of name became effective on 28 December 2009.

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 the People's Republic of China (the "PRC") and other countries.

The consolidated financial statements are presented in Hong Kong dollars, 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 standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NEW AND REVISED HKFRSs AFFECTING PRESENTATION AND DISCLOSURE ONLY

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segment (see note 6).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND REVISED HKFRSs AFFECTING PRESENTATION AND DISCLOSURE ONLY (CONTINUED)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

		Notes
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008	*1*
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009	*2*
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010	*3*
HKAS 24 (Revised)	Related Party Disclosures	*7*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*1*
HKAS 32 (Amendment)	Classification of Rights Issues	*5*
HKAS 39 (Amendment)	Eligible Hedged Items	*1*
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	*4*
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 disclosures for First-time Adopters	*6*
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (relating to the classification and measurement of financial assets)	*4*
HKFRS 3 (Revised)	Business Combinations	*1*
HKFRS 9	Financial Instruments (relating to classification and measurement of financial assets)	*8*
HK(IFRIC)-Int 14 (Amendment)	Prepayments to a Minimum Funding Requirement	*7*
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	*1*
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	*6*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Notes:

1. Effective for annual periods beginning on or after 1 July 2009
2. Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3. Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
4. Effective for annual periods beginning on or after 1 January 2010
5. Effective for annual periods beginning on or after 1 February 2010
6. Effective for annual periods beginning on or after 1 July 2010
7. Effective for annual periods beginning on or after 1 January 2011
8. Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except as otherwise stated in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs 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 and by the Hong Kong Companies Ordinance.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Increases in interests in existing subsidiaries are treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized where appropriate. For decreases in interests in subsidiaries regardless of whether the disposals will result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of is recognized in profit or loss.

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for 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)

BUSINESS COMBINATIONS

Acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the relevant conditions for recognition under HKFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current 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*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

GOODWILL

Goodwill arising on an acquisition of a business is carried at costs less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units 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-generated unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of the ordinary activities, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and titled has passed.

Interest income from a financial asset (other than financial assets at fair value through profit or loss) 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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs 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 policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on 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 arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are recognized directly in other comprehensive income.

For the purpose 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 the 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 translation reserve (attributed to minority interests as appropriate).

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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 the reporting period. Exchange differences arising are recognized in the translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 plans are charged as an expense when employees have rendered service entitling them to the contributions.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees

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 are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the 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 retained profits/(accumulated losses).

Share options granted to consultants

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity instruments granted for acquisitions of assets

Equity instruments (shares and conversion options) issued in exchange for goods or services are measured at the 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 equity instruments granted. The fair values of the goods or services received are recognized as expenses immediately, unless the goods or services qualify for recognition as assets.

TAXATION

Income tax expense represents the sum of the 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

The carrying amount of deferred tax assets is reviewed at the end of the 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 asset 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. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	:	20%
Motor vehicles	:	20 – 30%
Furniture, fixtures and equipment	:	20 – 33 $^{1}/_{3}$%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL AND EXPLORATION AND EVALUATION ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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).

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is calculating using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Where 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 is material).

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

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. 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.

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 on 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 financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

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 future; 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities with the Group's management 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 losses (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

AFS financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale 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 investments revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, 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).

For available-for-sale 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, they are measured at cost less any identified impairment losses at the end of the 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, amounts due from minority shareholders and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

For an AFS equity investment, 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
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are 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, 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 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity

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.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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 payments (including all fees on 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, of which interest expense is included in net gains and losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

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 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 includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, obligation under a hire-purchase contract and promissory note) are subsequently measured at amortized cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity (continued)

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. For the convertible bonds issued in connection with the acquisition of the exploration and evaluation assets set out in note 18, the conversion option component is recognized at fair value and included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortized cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in the convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits/(accumulated losses). No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the period of the convertible bonds using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred 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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. 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, 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.

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.

RELATED PARTIES

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4. 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.

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.

Estimated impairment on exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value 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 year ended 31 March 2010.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is 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.

5. REVENUE

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

	2010 HK$'000	2009 HK$'000
Revenue from sales of fuel oil and chemicals	**23,705**	21,817
Revenue from sales of steel products	**–**	9,518
Revenue from sales of gold	**18,119**	–
	41,824	31,335

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The directors of the Company consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segment for the Group compared with the primary reportable segment determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the Company's directors, being 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.

6. SEGMENT INFORMATION (CONTINUED)

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 the PRC and other countries. Additional disclosure in relation to segment information is not presented as the CODM assesses the performance of the only operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment loss is equivalent to total comprehensive loss 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 and 18.

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. The CODM considers that substantially all the assets of the Group are located in the PRC.

6. SEGMENT INFORMATION (CONTINUED)

REVENUE FROM MAJOR PRODUCTS AND SERVICES

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

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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**18,119**	–	**1,386**	70
PRC	**23,705**	31,335	**1,021,642**	640
Other countries	**–**	–	**–**	23
	41,824	31,335	**1,023,028**	733

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2010	2009
	HK$'000	HK$'000
Customer A	**18,119**	–
Customer B	**9,750**	–
Customer C	**–**	12,372
Customer D	**–**	5,972
Customer E	**–**	4,139
Customer F	**–**	3,584
	27,869	26,067

7. OTHER INCOME AND GAINS

	2010	2009
	HK$'000	HK$'000
Interest income on bank deposits	**900**	1,321
Net foreign exchange gains	**155**	3,476
Gain on disposal of property, plant and equipment	**93**	–
Gain on disposal of subsidiaries *(Note 34)*	**3,886**	–
Sundry income	**1**	1,350
	5,035	6,147

8. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on:		
Hire-purchase obligation	**7**	40
Effective interest expense on convertible bonds	**3,526**	–
Effective interest expense on promissory note	**8,276**	–
	11,809	40

No interest was capitalized during the year ended 31 March 2010 (2009: Nil).

9. INCOME TAX

INCOME TAX RECOGNIZED IN PROFIT OR LOSS

	2010	2009
	HK$'000	HK$'000
PRC Enterprise Income Tax:		
Charge for the year	**–**	355
Overprovision in prior year	**(355)**	–
	(355)	355

9. INCOME TAX (CONTINUED)

INCOME TAX RECOGNIZED IN PROFIT OR LOSS (CONTINUED)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2010 **HK$'000**	2009 HK$'000
Loss before tax	**(59,486)**	(9,607)
Tax at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**(9,815)**	(1,585)
Tax effect of expenses not deductible for tax purpose	**9,978**	608
Tax effect of income not taxable for tax purpose	**(670)**	(614)
Overprovision in prior year	**(355)**	–
Tax effect of deductible temporary differences not recognized	**–**	3
Tax effect of estimated tax losses not recognized	**655**	1,828
Utilization of deductible temporary differences previously not recognized	**(148)**	–
Utilization of tax losses previously not recognized	**–**	(6)
Effect of different tax rates of group entities operating in other jurisdictions	**–**	121
Tax (credit)/charge for the year	**(355)**	355

No deferred tax assets and liabilities are recognized in the consolidated financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2009 and 2010.

9. INCOME TAX (CONTINUED)

INCOME TAX RECOGNIZED IN PROFIT OR LOSS (CONTINUED)

Under the EIT 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. 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$1,115,000 (2009: approximately HK$1,709,000) 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$1,101,000 (2009: HK$578,000) 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.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2010	2009
	HK$'000	HK$'000
Depreciation for property, plant and equipment	**442**	293
Auditors' remuneration	**620**	520
Cost of inventories recognized as expense	**40,708**	30,774
Operating lease rentals in respect of:		
– Land and buildings	**1,982**	1,621
– Equipment	**13**	–
Employee benefits expense (including directors' emoluments)		
– Salaries and other benefits	**12,911**	6,451
– Contributions to retirement benefits schemes	**201**	112
	13,112	6,563
Expense in relation to share options granted to consultants	**–**	1,560

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2009: six) directors were as follows:

For the year ended 31 March 2010

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. Leung Ngai Man	–	2,400	–	12	2,412
Mr. Sung Kin Man *(Note (i))*	–	6,250	–	4	6,254
Mr. Yeung Kit	–	480	–	12	492
Mr. Wong Wa Tak	–	480	–	12	492
Mr. Ng Kwok Chu, Winfield *(Note (ii))*	–	92	–	4	96
Independent non-executive directors					
Mr. Chan Sing Fai	120	–	–	–	120
Mr. Cai Wei Lun	–	–	–	–	–
Dr. Leung Wai Cheung	120	–	–	–	120
Total emoluments	240	9,702	–	44	9,986

For the year ended 31 March 2009

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. Leung Ngai Man	–	2,400	–	12	2,412
Mr. Yeung Kit	–	480	–	12	492
Mr. Wong Wa Tak	–	480	–	12	492
Independent non-executive directors					
Mr. Chan Sing Fai	120	–	–	–	120
Mr. Cai Wei Lun	–	–	–	–	–
Dr. Leung Wai Cheung	120	–	–	–	120
Total emoluments	240	3,360	–	36	3,636

Notes:

(i) Appointed on 1 November 2009.

(ii) Appointed on 26 June 2009.

11. DIRECTORS' EMOLUMENTS (CONTINUED)

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the year ended 31 March 2010 (2009: Nil).

There were no discretionary bonuses paid to the directors or the highest paid, non-directors employees of the Group for the year ended 31 March 2010 (2009: Nil).

During the year ended 31 March 2010, saved for HK$5,000,000 was paid to Mr. Sung Kin Man as an inducement to join or upon joining the Group, no other emoluments were paid by the Group to the other highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining one individual (2009: two individuals) were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**480**	780
Contributions to retirement benefits scheme	**–**	–
	480	780

Their emoluments fell within the following band:

	Number of employees	
	2010	2009
Nil – HK$1,000,000	**1**	2

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.

13. RETIREMENT BENEFIT SCHEMES (CONTINUED)

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.

During the year ended 31 March 2010, the total amount contributed by the Group to the schemes and charged to the consolidated statement of comprehensive income amounted to approximately HK$201,000 (2009: HK$112,000). At 31 March 2010, there were no forfeited contributions available for the Group to offset contributions payable in future years (2009: 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:

	2010	2009
	HK$'000	HK$'000
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**58,882**	9,764

Number of shares

	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,100,601**	1,314,972

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

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2010 includes a loss of approximately HK$53,988,000 (2009: HK$12,665,000) which has been dealt with in the financial statements of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost				
Balance at 1 April 2008	207	1,676	494	2,377
Additions	–	–	29	29
Effect of foreign currency exchange differences	–	15	(14)	1
Balance at 31 March 2009	207	1,691	509	2,407
Additions	–	–	197	197
Acquired on acquisition of subsidiaries	–	1,474	–	1,474
Disposals	–	(980)	–	(980)
Derecognized on disposal of subsidiaries	–	–	(84)	(84)
Effect of foreign currency exchange differences	–	–	17	17
Balance at 31 March 2010	207	2,185	639	3,031
Accumulated depreciation and impairment				
Balance at 1 April 2008	134	1,035	220	1,389
Depreciation expense	42	128	123	293
Effect of foreign currency exchange differences	–	1	(9)	(8)
Balance at 31 March 2009	176	1,164	334	1,674
Depreciation expense	31	279	132	442
Eliminated on disposal of subsidiaries	–	–	(73)	(73)
Eliminated on disposals	–	(980)	–	(980)
Effect of foreign currency exchange differences	–	–	12	12
Balance at 31 March 2010	207	463	405	1,075
Carrying amounts				
Balance at 31 March 2010	–	1,722	234	1,956
Balance at 31 March 2009	31	527	175	733

17. INVESTMENTS IN SUBSIDIARIES

	2010 HK$'000	2009 HK$'000
Company		
Unlisted shares, at cost	**78**	78
Capital contributions	**656,476**	–
	656,554	78

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

Particulars of the Company's subsidiaries at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sino Prosper Group Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
Sino Prosper Coal Mining Investment Limited	British Virgin Islands	US$1	–	100%	Investment holding
Nice Think Group Limited	British Virgin Islands	US$1	–	100%	Investment holding
Joint Profit Group Limited	Hong Kong	HK$2	–	100%	Provision of administrative services
Konrich (Asia) Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Asphalt Investment Limited	Hong Kong	HK$1	–	100%	Investment holding and trading of asphaltic rocks
Sino Prosper (States Gold) Investment Limited	Hong Kong	HK$10	–	100%	Investment holding

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sino Prosper Gas Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Medical Technology Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Management Limited	Hong Kong	HK$1	–	100%	Provision of administrative services
Sino Prosper Minerals Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Re-Energy Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Renewable Resources Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Jet Power Holdings Limited	Hong Kong	HK$1	–	100%	Investment holding
Victor Bright Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper State Gold HK Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Mineral Products Limited	Hong Kong	HK$1	–	100%	Investment holding

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dalian Haixin Investment Consultant Co., Ltd. *(Note (i))*	PRC	US$11,930,000	–	100%	Provision of consultancy services
海南泰瑞礦產開發有限公司 *(Note (ii))*	PRC	RMB2,000,000	–	95%	Processing of minerals and the mining, smelting as well as sales of ferrous and non-ferrous products
中油中盈石油燃氣銷售有限公司 *(Note (iii))*	PRC	RMB13,535,070	–	95%	Wholesale and commission agency of fuel oil and related supporting and consultation services
黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) *(Note (iv))*	PRC	RMB5,700,000	–	65%	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
廣州市高泓礦業技術咨詢有限公司 *(Note (v))*	PRC	Nil	–	100%	Not yet commenced business

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) Dalian Haixin Investment Consultant Co., Ltd. is a wholly foreign owned enterprise established in the PRC.

(ii) 海南泰瑞礦產開發有限公司 is a limited liability company established in the PRC.

(iii) 中油中盈石油燃氣銷售有限公司 is a sino-foreign equity joint venture company established in the PRC (Note 35).

(iv) Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd. is a sino-foreign equity joint venture company established in the PRC.

(v) 廣州市高泓礦業技術咨詢有限公司 is a limited liability company established in the PRC.

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

18. EXPLORATION AND EVALUATION ASSETS

Group

	HK$'000
COST	
Acquired on acquisition of subsidiaries *(Note 33 (a))*	1,016,859
Additions	2,828
Effect of foreign currency exchange differences	1,385
Balance at 31 March 2010	1,021,072

The Group's exploration and evaluation assets were mainly arising from the acquisition of Nice Think Group Limited ("Nice Think") as set out in note 33(a).

Nice Think through its subsidiary, Victor Bright Investment Limited, owns 65% of the registered and paid up capital of Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd ("Heilongjiang Zhongyi Weiye") which was a non-state owned enterprise and has become an equity joint venture established under the PRC laws on 1 April 2009. The current business scope of Heilongjiang Zhongyi Weiye includes the 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. Heilongjiang Zhongyi Weiye is the holder of certain exploration permits of the mines located at Hulin City, Heilongjiang Province, the PRC. The exploration permits are valid for a period of three years. In the opinion of the directors, the Group will be able to renew the mining right with the relevant government authorities continuously at minimal charges.

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

18. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Subsequent to the end of the reporting period, pursuant to the acquisition agreement entered into among Victor Bright Investment Limited (as purchaser), Ms. Gao Liyan (as first vendor) and Mr. Song Yang (as second vendor) (collectively as vendors) on 17 May 2010 (the "Acquisition Agreement II"), the purchaser has agreed to acquire from the vendors an aggregate of 27% equity interests in Heilongjiang Zhongyi Weiye, of which 13% equity interests is acquired from the first vendor and 14% equity interests is acquired from the second vendor. The consideration payable to the vendors under the Acquisition Agreement II is RMB24,000,000 (equivalent to approximately HK$27,273,000) in aggregate (subject to adjustment), of which RMB11,560,000 (equivalent to approximately HK$13,136,000) will be payable to the first vendor and RMB12,440,000 (equivalent to approximately HK$14,137,000) will be payable to the second vendor. The consideration is payable in the form of cash only. Immediately after completion of the acquisition under Acquisition Agreement II, Heilongjiang Zhongyi Weiye will be owned as to 92% by the Group and 8% by the first vendor respectively. The ordinary resolution for approving the Acquisition Agreement II was duly passed by way of poll by the shareholders of the Company at the extraordinary general meeting held on 24 June 2010. Up to the date of approval of these financial statements, the acquisition under the Acquisition Agreement II has not yet been completed.

19. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Finished goods	**3,294**	–

20. TRADE AND OTHER RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**1,142**	16,962
Prepayments, deposits and other receivables	**5,880**	64,908
Total trade and other receivables	**7,022**	81,870

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 90 days	**1,028**	16,895
91 – 120 days	**–**	67
121 – 365 days	**114**	–
	1,142	16,962

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. 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:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**777**	15,219
Past due but not impaired		
1 – 90 days	**251**	1,743
91 – 120 days	**114**	–
	1,142	16,962

Included in the balance of prepayments, deposits and other receivables of the Group at 31 March 2010 was a deposit of approximately HK$4,136,000 in relation to the acquisition of the entire equity interest of Favour South Limited which was completed subsequent to the end of the reporting period, further details of which are disclosed in note 38(a).

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the balance of prepayments, deposits and other receivables of the Group at 31 March 2009 was an initial deposit of RMB50,000,000 (equivalent to approximately HK$56,776,000) paid by the Group upon entering into an acquisition agreement on 10 June 2008 (which was amended and supplemented by a supplemental agreement dated 27 August 2008 and made by the same parties) (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, Sino Prosper Minerals Investment Limited ("SPML", a wholly owned subsidiary of the Company) had agreed to acquire and Mr. Leung Ngai Man (the "Vendor", being a director and substantial shareholder of the Company), had agreed to dispose of the entire issued capital of Agortex Development Limited (a company wholly and beneficially owned by the Vendor), at a total consideration of RMB230,000,000. On the date of the Acquisition Agreement, an aggregate amount of RMB50,000,000 (equivalent to approximately HK$56,776,000) was paid by SPML to the Vendor as a deposit. During the year ended 31 March 2010, the Vendor and SPML entered into a termination deed, whereby SPML and the Vendor have mutually agreed to terminate the Acquisition Agreement with effect from 11 May 2009 in accordance with its terms.

21. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

The balance at 31 March 2010 represented an amount due from the minority shareholder of Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd., a 65% owned subsidiary of the Company, of approximately HK$22,000. The amount due is unsecured, interest-free and repayable on demand.

The balances at 31 March 2009 comprised amounts due from the minority shareholders of P.T. Sino Prosper Indocarbon, a 65% owned subsidiary of the Company, of approximately HK$2,815,000. The amounts due were unsecured, interest-free and repayable on demand.

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 March 2010, the Group had bank balances of approximately HK$213,829,000 (2009: HK$229,033,000) which were denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**181**	15,312	**–**	–
Other payables and accruals	**25,940**	25,639	**1,316**	1,233
	26,121	40,951	**1,316**	1,233

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 90 days	**181**	15,148
91 – 120 days	**–**	164
	181	15,312

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

24. OBLIGATION UNDER A HIRE-PURCHASE CONTRACT

The Group previously leased a motor vehicle under a hire-purchase contract and the motor vehicle was disposed of during the year ended 31 March 2010.

At 31 March 2010, the Group had total future minimum lease payments under a hire-purchase contract and its present value as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**–**	150
After 1 year but within 2 years	**–**	–
Total minimum lease payments	**–**	150
Less: Future finance charges	**–**	(26)
Present value of minimum lease payments	**–**	124

25. CONVERTIBLE BONDS

On 30 September 2009, the Company issued zero coupon convertible bonds at a total principal amount of HK$136,363,636 (equivalent to approximately RMB120,000,000) in connection with the acquisition set out in note 33 (a). These convertible bonds have a maturity period of 5 years from the issue date and can be convertible into 1 ordinary share of the Company at HK$0.01 each for every HK$0.075 convertible bonds at the holder's option.

The convertible bonds contain two components, liability and equity elements. The equity element amounted to approximately HK$376,313,000 and is presented in equity as part of the "convertible bonds equity reserve". The effective interest rate of the liability component for the convertible bonds is 15.77% per annum.

During the year ended 31 March 2010, convertible bonds with aggregate principal amount of HK$45,630,000 were converted into ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.075 per share. Accordingly, a total of 608,400,000 ordinary shares were issued.

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

	HK$'000
Initial recognition	65,559
Interest expense *(Note 8)*	3,526
Conversion into shares during the year *(Note 27(v))*	(22,013)
Liability component at 31 March 2010	47,072

The fair value of the equity component of the convertible bonds is determined by using Trinomial model by reference to an independent professional valuation. The inputs into the model were as follows:

Share price	HK$0.247
Expected volatility *(Note (i))*	92.63%
Risk-free rate *(Note (ii))*	1.73%
Expected dividend yield	0%

Notes:

(i) The expected volatility was determined by using the historical volatility of the Company's share price over the previous 260 days.

(ii) The risk-free interest rate was determined by reference to the yield of Hong Kong Exchange Fund Note.

26. PROMISSORY NOTE

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

During the year ended 31 March 2010, the Company early redeemed part of the promissory note with a principal amount of approximately HK$147,728,000 and incurred an early redemption loss of approximately HK$30,218,000. Subsequent to the end of the reporting period, the Company early repaid the remaining part of the promissory note and the accrued interests.

27. SHARE CAPITAL

Ordinary shares of HK$0.01 each:	**Number of shares**	**Share capital HK$'000**
Authorized:		
Ordinary shares of HK$0.01 each		
At 31 March 2009 and 2010	**20,000,000,000**	**200,000**
Issued and fully paid:		
At 1 April 2008	1,286,163,158	12,862
Issue of new shares *(Note (i))*	257,230,000	2,572
Exercise of share options *(Note (ii))*	24,000,000	240
At 31 March 2009 and 1 April 2009	1,567,393,158	15,674
Issue of new shares *(Note (iii))*	342,270,000	3,423
Exercise of share options *(Note (iv))*	144,000,000	1,440
Conversion of convertible bonds *(Note (v))*	608,400,000	6,084
At 31 March 2010	**2,662,063,158**	**26,621**

Notes:

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

On 15 October 2008, the Company announced that the Placing Agreement lapsed on 15 October 2008 and the Company entered into a new placing agreement (the "New Placing Agreement") on the same day in relation to a placing of 257,230,000 shares at a price of HK$0.033 per share.

The completion of the New Placing Agreement took place on 25 February 2009 in accordance with the terms and conditions of the New Placing Agreement and an aggregate of 257,230,000 new shares have been successfully placed to not less than six placees at HK$0.033 per new share.

27. SHARE CAPITAL (CONTINUED)

(ii) During the year ended 31 March 2009, 24,000,000 ordinary shares were issued upon the exercise of a total of 24,000,000 share options at an exercise price of HK$0.030 per share, giving rise to aggregate net proceed of HK$720,000.

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

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

(v) During the year ended 31 March 2010, 608,400,000 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.075 per share as detailed in note 25.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board 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.

28 . SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Movements in the share options during the years ended 31 March 2009 and 2010 are as follows:

	2010		2009	
	Number	**Weighted average exercise price per share HK$**	Number	Weighted average exercise price per share HK$
Outstanding at 1 April	**260,600,000**	**0.390**	128,600,000	0.680
Granted	**–**	**–**	156,000,000	0.096
Exercised	**(144,000,000)**	**0.113**	(24,000,000)	0.030
Outstanding at 31 March	**116,600,000**	**0.733**	260,600,000	0.390

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.229 (2009: HK$0.045).

There were 116,600,000 (2009: 260,600,000) share options exercisable as at 31 March 2010.

2010

Date of grant	**Number of options**	**Exercise period**	**Exercise price per share HK$**
1 November 2004	**2,200,000**	1 November 2004 to 31 October 2014	**0.475**
29 November 2004	**3,000,000**	29 November 2004 to 28 November 2014	**0.460**
3 January 2005	**8,000,000**	3 January 2005 to 2 January 2015	**0.410**
12 January 2005	**5,000,000**	12 January 2005 to 11 January 2015	**0.410**
23 March 2005	**4,000,000**	23 March 2005 to 22 March 2015	**0.340**
8 May 2006	**26,400,000**	8 May 2006 to 7 May 2016	**1.460**
1 September 2006	**36,000,000**	1 September 2006 to 31 August 2016	**0.710**
4 September 2006	**6,000,000**	4 September 2006 to 3 September 2016	**0.710**
1 June 2007	**14,000,000**	1 June 2007 to 31 May 2017	**0.455**
14 May 2008	**12,000,000**	14 May 2008 to 13 May 2018	**0.136**
	116,600,000		

28. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

2009

Date of grant	Number of options	Exercise period	Exercise price per share HK$
1 November 2004	2,200,000	1 November 2004 to 31 October 2014	0.475
29 November 2004	3,000,000	29 November 2004 to 28 November 2014	0.460
3 January 2005	8,000,000	3 January 2005 to 2 January 2015	0.410
12 January 2005	5,000,000	12 January 2005 to 11 January 2015	0.410
23 March 2005	4,000,000	23 March 2005 to 22 March 2015	0.340
8 May 2006	26,400,000	8 May 2006 to 7 May 2016	1.460
1 September 2006	36,000,000	1 September 2006 to 31 August 2016	0.710
4 September 2006	6,000,000	4 September 2006 to 3 September 2016	0.710
1 June 2007	14,000,000	1 June 2007 to 31 May 2017	0.455
17 March 2008	24,000,000	17 March 2008 to 16 March 2018	0.150
5 May 2008	24,000,000	5 May 2008 to 4 May 2018	0.120
6 May 2008	24,000,000	6 May 2008 to 5 May 2018	0.125
14 May 2008	24,000,000	14 May 2008 to 13 May 2018	0.136
15 May 2008	24,000,000	15 May 2008 to 14 May 2018	0.137
30 March 2009	36,000,000	30 March 2009 to 29 March 2019	0.050
	260,600,000		

Options granted are fully vested at the date of grant. The options outstanding at 31 March 2010 had weighted average exercise price of HK$0.733 (2009: HK$0.390) and a weighted average remaining contractual life of 6.3 years (2009: 8.4 years).

No consideration was received as the Company did not grant any share options during the year ended 31 March 2010 (2009: HK$13).

None of the share options were forfeited and expired during the years ended 31 March 2009 and 2010.

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

28. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The Company measures the fair values of share options granted to consultants by reference to the fair values of services received. No options have been granted under the Scheme during the year ended 31 March 2010. The total fair values of the share options granted to consultants for the year ended 31 March 2009 amounted to approximately HK$1,560,000 had been included in the consolidated statement of comprehensive income for the year ended 31 March 2009, the corresponding amount of which has been credited to share options reserve (note 29). No liabilities were recognized on the equity-settled share option expense transactions.

	2010 HK$'000	2009 HK$'000
Expenses in relation to share options granted to consultants	–	1,560

Subsequent to the end of the reporting period, on 4 May 2010, a total of 47,000,000 share options were granted to eligible grantees under the Scheme, including directors and employees of the Group. These share options have an exercise price of HK$0.30 per share and an exercise period ranging from 4 February 2011 to 3 May 2020. The price of the Company's shares at the date of grant was HK$0.22 per share.

29. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Share premium HK$'000	**Warrants reserve** HK$'000	**Share options reserve** HK$'000	**Shareholder's contribution** HK$'000	**Convertible bonds equity reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 April 2008	215,275	2,440	61,495	12,640	–	(171,595)	120,255
Loss for the year	–	–	–	–	–	(12,665)	(12,665)
Total comprehensive loss for the year	–	–	–	–	–	(12,665)	(12,665)
Issue of new shares *(Note 27(i))*	5,916	–	–	–	–	–	5,916
Transaction costs attributable to issue of new shares	(85)	–	–	–	–	–	(85)
Recognition of equity-settled share based-payments *(Note 28)*	–	–	1,560	–	–	–	1,560
Issue of ordinary shares under share option scheme *(Note 27(ii))*	720	–	(240)	–	–	–	480
Balance at 31 March 2009	221,826	2,440	62,815	12,640	–	(184,260)	115,461

29. SHARE PREMIUM AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2009	221,826	2,440	62,815	12,640	–	(184,260)	115,461
Loss for the year	–	–	–	–	–	(53,988)	(53,988)
Total comprehensive loss for the year	–	–	–	–	–	(53,988)	(53,988)
Issue of new shares *(Note 27(iii))*	82,145	–	–	–	–	–	82,145
Transaction costs attributable to issue of new shares	(949)	–	–	–	–	–	(949)
Issue of ordinary shares under share option scheme *(Note 27(iv))*	16,200	–	(1,440)	–	–	–	14,760
Recognition of the equity component of convertible bonds *(Note 25)*	–	–	–	–	376,313	–	376,313
Conversion of convertible bonds *(Note 27(v))*	141,851	–	–	–	(125,922)	–	15,929
Balance at 31 March 2010	461,073	2,440	61,375	12,640	250,391	(238,248)	549,671

30. WARRANTS

On 21 May 2007, the Company announced that it had entered into a conditional warrant subscription agreement dated 16 May 2007 with an independent investor in relation to a private placing of 244,000,000 non-listed warrants at an issue price of HK$0.01 per warrant. The warrants entitled the holder thereof to subscribe for new shares of the Company at an initial exercise price of HK$0.64 per new share (subject to adjustment) at any time during a period of three years commencing from the date of issue of the warrants. Each warrant carried the right to subscribe for one new share.

The warrants were issued on 1 June 2007 upon completion of the warrant subscription agreement, and the Company received proceeds of HK$2,440,000 in respect of the placing of the warrants. The net proceeds from the placing of the warrants were used for general working capital of the Group.

30. WARRANTS (CONTINUED)

At the end of the reporting period, the Company had 244,000,000 (2009: 244,000,000) warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 244,000,000 (2009: 244,000,000) additional shares of HK$0.01 each.

Subsequent to the end of the reporting period, the warrants were lapsed as the warrants holder did not exercise the right to subscribe for new shares of the Company before the maturity date.

31. 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's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts (which include obligation under a hire-purchase contract, convertible bonds and promissory note), cash and cash equivalents and equity (comprising issued share capital, reserves, accumulated losses and minority interests).

NET DEBT-TO-EQUITY 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 net debt-to-equity ratio at the end of the reporting period was as follow:

	2010	2009
	HK$'000	HK$'000
Debts *(i)*	**152,442**	124
Cash and cash equivalents	**(216,030)**	(230,232)
Net debt	**–**	–
Equity *(ii)*	**1,070,833**	274,220
Net debt-to-equity ratio	**Nil**	Nil

(i) Debts comprise obligation under a hire-purchase contract, convertible bonds and promissory note as detailed in notes 24, 25 and 26 respectively.

(ii) Equity includes all capital reserves and minority interests.

32. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
– Financial assets included in trade and other receivables	**5,933**	81,623
– Amounts due from minority shareholders	**22**	2,815
– Bank balances and cash	**216,030**	230,232
Financial liabilities		
Financial liabilities at amortized cost		
– Financial liabilities included in trade and other payables	**4,600**	19,399
– Obligation under a hire-purchase contract	**–**	124
– Convertible bonds	**47,072**	–
– Promissory note	**105,370**	–

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amounts due from minority shareholders, bank balances and cash, trade and other payables, obligation under a hire-purchase contract, convertible bonds and promissory note. 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 Group's exposure to market risk or the manner in which it manages and measures the risk.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk

Foreign Currency Risk Management

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

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all 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.

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.

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 price risk.

Credit Risk Management

At 31 March 2010, 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 amount 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk Management (continued)

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. Trade receivables consist of few customers for whom there is no recent history of default.

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$'000	Total carrying amount HK$'000
At 31 March 2010				
Trade and other payables	**4,600**	**–**	**4,600**	**4,600**
Convertible bonds	**–**	**90,734**	**90,734**	**47,072**
Promissory note	**–**	**128,926**	**128,926**	**105,370**
	4,600	**219,660**	**224,260**	**157,042**
At 31 March 2009				
Trade and other payables	19,399	–	19,399	19,399
Obligation under a hire-purchase contract	150	–	150	124
	19,549	–	19,549	19,523

32. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(i) 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 prices and ask prices respectively; and

(ii) 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 using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

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

33. ACQUISITION OF SUBSIDIARIES

(a) ACQUISITION OF NICE THINK GROUP LIMITED

On 17 April 2009, Sino Prosper (States Gold) Investment Limited (a wholly-owned subsidiary of the Company) (as purchaser) and Mr. Leung Ngai Man, a director and substantial shareholder of the Company (as vendor) pursuant to which the purchaser has agreed to acquire and the vendor has agreed to dispose of the entire issued share capital of Nice Think, which is wholly and beneficially owned by the vendor, and all obligations, liabilities and debts owing or incurred by Nice Think to the vendor, at a total consideration of RMB360 million (equivalent to approximately HK$409.1 million) (the "Acquisition Agreement I"). Pursuant to the terms of the Acquisition Agreement I, the consideration was satisfied by the issurance of (i) zero coupon convertible bonds in the principal amount of HK$136,363,636 (equivalent to approximately RMB120,000,000) with a 5-year maturity; and (ii) promissory note of the balance of RMB240,000,000 (equivalent to approximately HK$272,727,000) to the vendor with a 1.5% per annum coupon rate payable on a quarterly basis with a 2-year maturity. Details of the convertible bonds and promissory note are set out in notes 25 and 26 respectively. The vendor is a connected person by virtue of him being a director and a substantial shareholder of the Company. As such, the acquisition constituted a connected transaction as defined in Chapter 14A of the Listing Rules. The acquisition also constituted a very substantial acquisition as defined in Chapter 14 of the Listing Rules. All conditions precedent under the Acquisition Agreement I have been satisfied and the acquisition was completed on 30 September 2009.

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF NICE THINK GROUP LIMITED (CONTINUED)

The acquisition has been accounted for as acquisition of the assets. The acquisition of Nice Think is not considered as a business acquisition as the activities of the Nice Think through its subsidiaries are the holding of certain exploration permits in Heilongjiang Province, the PRC.

The assets and the associated liabilities acquired in the transaction are as follows:

	HK$'000
Property, plant and equipment	68
Exploration and evaluation assets	1,016,859
Bank balances and cash	4,816
Deposits, prepayment and other receivables	1,246
Amount due from a minority shareholder	22
Amount due to a shareholder	(1,227)
Other payables	(1,564)
Amount due to a related company	(4,780)
	1,015,440
Minority interests	(355,746)
Net assets acquired	659,694

	HK$'000
Consideration satisfied by:	
– Fair value of convertible bonds issued	441,872
– Fair value of promissory note issued	214,604
– Transaction costs incurred	4,445
– Acquisition of shareholder's loan	(1,227)
	659,694
Net cash inflow arising on acquisition:	
Transaction costs paid	(4,445)
Bank balances and cash acquired	4,816
	371

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) ACQUISITION OF JET POWER HOLDINGS LIMITED

On 28 September 2009, Sino Prosper Coal Mining Investment Limited (a subsidiary of the Company) acquired the entire interest and the intercompany loan of Jet Power Holdings Limited ("Jet Power") at a consideration of approximately HK$1,451,000. Mr. Leung Ngai Man, an executive director and a substantial shareholder of the Company, has indirect interests in both Sino Prosper Coal Mining Investment Limited and Jet Power. The acquisition was completed on 28 September 2009. Jet Power is mainly involved in holding of a motor vehicle and has not carried out any significant business transactions since its incorporation. In the opinion of the directors, the acquisition did not, therefore, constitute an acquisition of business as the Group principally acquired the motor vehicle through the acquisition. Therefore, the acquisition was not disclosed as a business combination in accordance with the requirements of HKFRS 3 *Business Combinations*.

The net assets acquired in the transaction are as follows:

	HK$'000
Property, plant and equipment	1,406
Other receivables	45
Net assets acquired	1,451
Consideration satisfied by:	
– Cash	1,451
Net cash outflow arising on acquisition:	
Cash consideration paid	1,451

34. DISPOSAL OF SUBSIDIARIES

On 10 February 2010, Sino Prosper Group Limited (a wholly-owned subsidiary of the Company) (as vendor) and Mr. Leung Ngai Man, an executive director and a substantial shareholder of the Company (as purchaser), entered into a disposal agreement pursuant to which the purchaser has agreed to acquire and the vendor has agreed to dispose of the entire issued ordinary share capital of Sino Prosper Resources Limited (an indirect wholly-owned subsidiary of the Company), which holds 65% equity interests in PT Sino Prosper Indocarbon, and the loan outstanding as at completion made by or on behalf of the vendor to Sino Prosper Resources Limited, at the purchase price of RMB5,280,000 (equivalent to HK$6,000,000). The disposal constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Sino Prosper Resources Limited and its 65% equity-owned subsidiary are principally engaged in mineral resources exploration project in Indonesia and owns the right to carry out general exploration in bitumen mines in Buton, Indonesia. Upon completion of the disposal, the Group ceased to have any shareholding in Sino Prosper Resources Limited.

34. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The consolidated net liabilities of Sino Proper Resources Limited and its subsidiary on the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	11
Prepayment, deposits and other receivables	19
Amounts due from minority shareholders	3,481
Bank balances and cash	79
Amount due to immediate holding company	(9,809)
Other payables and accruals	(420)
Minority interests	(898)
	(7,537)
Released of translation reserve	(158)
Gain on disposal of subsidiaries	3,886
	(3,809)
Satisfied by:	
Cash consideration	6,000
Disposal of shareholder's loan	(9,809)
	(3,809)
Net cash inflow on disposal of subsidiaries:	
Cash consideration	6,000
Bank balances and cash disposed of	(79)
	5,921

35. CAPITAL COMMITMENTS

At 31 March 2010, the Group had the following commitments which were not provided for in the financial statements:

	2010 HK$'000	2009 HK$'000
Contracted but not provided for:		
– Investment in a joint venture company *(Note)*	39,001	40,544
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	1,000	–
– Exploration and evaluation expenditures	659	–
	40,660	40,544

Note: Pursuant to a joint venture agreement dated 4 February 2005 entered into between Sino Prosper Gas Limited ("SPGL" – a wholly owned subsidiary of the Company) and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the PRC for a term of 30 years commencing from the date of issue of the business license of the joint venture company, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas.

On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company is RMB50 million which is to be contributed by SPGL as to RMB47.5 million and by the New Joint Venture Partner as to RMB2.5 million. At 31 March 2010, approximately RMB13.2 million, equivalent to approximately HK$14.3 million (2009: approximately RMB11.8 million, equivalent to approximately HK$12.8 million) has been contributed by SPGL.

The joint venture company, namely 中油中盈石油燃氣銷售有限公司, was treated as a subsidiary of the Group at 31 March 2010.

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

36. OPERATING LEASE COMMITMENTS

At 31 March 2010, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**2,399**	931
In the second to fifth years inclusive	**1,089**	185
	3,488	1,116

Operating leases relate to office premises and equipment with lease terms of between 1 to 5 years (2009: 1 to 2 years).

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions for the year ended 31 March 2010:

COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2010	2009
	HK$'000	HK$'000
Short-term employee benefits	**9,942**	3,600
Post-employment benefits	**44**	36
	9,986	3,636

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

38. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 23 January 2010, Sino Prosper Mineral Products Limited (a wholly-owned subsidiary of the Company) (as purchaser) and Mr. Hong Guang, an independent third party (as vendor), entered into an acquisition agreement pursuant to which the purchaser has conditionally agreed to acquire and the vendor has conditionally agreed to dispose of: (i) entire issued share capital of Favour South Limited; and (ii) all the obligation, liabilities and debts owing or incurred by Favour South Limited to the vendor, at a total consideration of RMB147,000,000 (equivalent to approximately HK$167,045,000) (the "Favour South Acquisition"). Favour South Limited through its subsidiary is expected to contribute and own 70% of the registered and paid up capital of 敖漢旗鑫瑞恩礦業有限責任公司 (Ao Han Qi Xin Rui En Mineral industry Co., Ltd.) ("Ao Han Qi Xin Rui En"), the current business scope of which includes the gold mine exploitation, selection of gold and sale of mineral products. Ao Han Qi Xin Rui En holds mining permit for mining of gold in a mining site located at Aohanqi, Inner Mongolia Autonomous Region, the PRC. The acquisition was completed on 29 June 2010. As of the date of approval of these financial statements, management of the Group is still in the midst of determining the financial effect of the aforesaid acquisition.

(b) On 7 May 2010, the Company announced that an aggregate of 2,888,000,000 shares of HK$0.01 each in the capital of the Company were placed to not less than six placees, at the placing price of HK$0.19 per placing share, upon completion of the placing agreement dated 12 March 2010 (as amended by a supplemental agreement dated 23 March 2010) entered into between the Company and Samsung Securities (Asia) Limited as the placing agent. The net proceeds from the aforesaid placing amounted to approximately HK$529,000,000. The net proceeds would be used as to (i) approximately HK$159,000,000 for the Favour South Acquisition; (ii) as to approximately HK$159,000,000 for the up-grading of the ore-processing plant to daily processing capacity to 1,000 tones nearby the gold mine acquired under the Favour South Acquisition; (iii) approximately HK$30,000,000 for the exploration of the gold mines acquired by the Group; and (iv) as to the balance for the general working capital of the Group and to finance any possible acquisition plan of the Group in the future.

FINANCIAL SUMMARY

For the year ended 31 March 2010

	Year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Results					
Turnover	1,867	20,138	84,714	31,335	**41,824**
Loss before tax	(30,353)	(123,875)	(27,815)	(9,607)	**(59,486)**
Income tax	–	–	–	(355)	**355**
Loss for the year	(30,353)	(123,875)	(27,815)	(9,962)	**(59,131)**
Attributable to:					
Owners of the Company	(29,913)	(122,173)	(27,398)	(9,764)	**(58,882)**
Minority interests	(440)	(1,702)	(417)	(198)	**(249)**
	(30,353)	(123,875)	(27,815)	(9,962)	**(59,131)**
Loss per share for loss attributable to owners of the Company for the year					
Basic and diluted	(3.13 cents)	(9.91 cents)	(2.13 cents)	(0.74 cents)	**(2.80 cents)**

	At 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total asset	203,751	280,513	297,652	315,650	**1,249,396**
Total liabilities	(13,078)	(15,894)	(25,699)	(41,430)	**(178,563)**
	190,673	264,619	271,953	274,220	**1,070,833**
Equity attributable to owners of the Company	187,563	263,104	270,448	273,135	**714,485**
Minority interests	3,110	1,515	1,505	1,085	**356,348**
Total equity	190,673	264,619	271,953	274,220	**1,070,833**

Sino Prosper State Gold Resources Holdings Limited

中盈國金資源控股有限公司

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