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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The Board (the "Board") of Directors (the "Directors") of Sino Prosper State Gold Resources Holdings Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2011 ("reporting period") together with comparative figures for the previous period, which have been reviewed by the audit committee (the "Audit Committee") of the Board.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**32,854**	29,790
Cost of sales		**(30,783)**	(29,818)
Gross profit/(loss)		**2,071**	(28)
Other income and gains		**5,926**	17,347
General and administrative expenses		**(25,455)**	(24,593)
Loss on early redemption of promissory note		**–**	(18,414)
Finance costs		**–**	(3,561)
Loss before tax		**(17,458)**	(29,249)
Income tax credit	*4*	**380**	–
Loss for the period	*5*	**(17,078)**	(29,249)
Other comprehensive income			
Exchange differences on translating foreign operations		**36,210**	25,475
Reclassification adjustments relating to foreign operations disposed of during the period		**–**	384
Other comprehensive income for the period, net of tax		**36,210**	25,859
Total comprehensive income/(expense) for the period		**19,132**	(3,390)

	Notes	Six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Loss attributable to:			
Owners of the Company		**(16,111)**	(28,556)
Non-controlling interests		**(967)**	(693)
		(17,078)	(29,249)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**16,584**	(8,560)
Non-controlling interests		**2,548**	5,170
		19,132	(3,390)
Loss per share	*7*		
Basic and diluted (HK cents per share)		**(0.21)**	(0.49)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2011 (Unaudited) HK$'000	At 31 March 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	8	**62,047**	78,977
Mining rights	8	**146,553**	144,211
Exploration and evaluation assets	8	**1,116,105**	1,083,902
Goodwill		**92,762**	90,333
		1,417,467	1,397,423
Current assets			
Inventories		**14,529**	6,815
Trade and other receivables	9	**34,222**	8,688
Amount due from a non-controlling interest of a subsidiary		**1**	1
Bank balances and cash		**644,317**	311,810
		693,069	327,314
Property classified as held for sale	10	**26,338**	–
		719,407	327,314
Current liabilities			
Trade and other payables	11	**22,211**	18,956
Amount due to a non-controlling interest of a subsidiary		**9,074**	8,826
Amounts due to related companies		**337**	337
		31,622	28,119
Net current assets		**687,785**	299,195
Total assets less current liabilities		**2,105,252**	1,696,618
Non-current liabilities			
Provision for restoration costs		**387**	376
Deferred tax liabilities		**36,480**	35,898
		36,867	36,274
Net assets		**2,068,385**	1,660,344
Capital and reserves			
Share capital	12	**78,144**	67,599
Reserves		**1,858,382**	1,463,434
Equity attributable to owners of the Company		**1,936,526**	1,531,033
Non-controlling interests		**131,859**	129,311
Total equity		**2,068,385**	1,660,344

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(27,273)**	(37,319)
Net cash used in investing activities	**(10,759)**	(197,989)
Net cash generated by financing activities	**370,244**	418,160
NET INCREASE IN CASH AND CASH EQUIVALENTS	**332,212**	182,852
Cash and cash equivalents at the beginning of period	**311,810**	216,030
Effect of foreign exchange rate changes	**295**	2,032
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**644,317**	400,914
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**644,317**	400,914

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Treasury shares** *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Shareholder's contribution** *HK$'000*	**Foreign currency translation reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Other reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Subtotal** *HK$'000*	**Attributable to non-controlling interests** *HK$'000*	**Total** *HK$'000*
Balance at 1 April 2011 (Audited)	67,599	–	1,247,579	63,286	12,640	64,631	–	249,089	(173,791)	1,531,033	129,311	1,660,344
Loss for the period (Unaudited)	–	–	–	–	–	–	–	–	(16,111)	(16,111)	(967)	(17,078)
Other comprehensive income for the period (Unaudited)	–	–	–	–	–	32,695	–	–	–	32,695	3,515	36,210
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	32,695	–	–	(16,111)	16,584	2,548	19,132
Issue of new ordinary shares (Unaudited)	11,000	–	407,000	–	–	–	–	–	–	418,000	–	418,000
Transaction costs attributable to issue of new ordinary shares (Unaudited)	–	–	(17,756)	–	–	–	–	–	–	(17,756)	–	(17,756)
Recognition of equity-settled share-based payments (Unaudited)	–	–	–	551	–	–	–	–	–	551	–	551
Repurchase of ordinary shares (Unaudited)	(455)	(3,891)	(7,929)	–	–	–	455	–	–	(11,820)	–	(11,820)
Transaction costs attributable to repurchase of ordinary shares (Unaudited)	–	–	(66)	–	–	–	–	–	–	(66)	–	(66)
Balance at 30 September 2011 (Unaudited)	78,144	(3,891)	1,628,828	63,837	12,640	97,326	455	249,089	(189,902)	1,936,526	131,859	2,068,385

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" and other relevant HKAS and Interpretations and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with HKFRSs.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011 except as described below.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statement[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

Notes:

1. Effective for annual periods beginning on or after 1 July 2011.
2. Effective for annual periods beginning on or after 1 January 2012.
3. Effective for annual periods beginning on or after 1 July 2012.
4. Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group is in the process of making an assessment of the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (as revised in 2011), HKAS 27 (as revised in 2011), HKAS 28 (as revised in 2011) and HK(IFRIC)-Int 20 but is not yet in a position to state whether these new standards, amendments and interpretations would have significant impact on the consolidated financial statements.

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

2. REVENUE

	Six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Revenue from sales of gold	**27,092**	27,700
Revenue from sales of gold concentrates	**5,355**	–
Revenue from sales of silver concentrates	**407**	–
Revenue from sales of fuel oil and chemicals	**–**	2,090
	32,854	29,790

3. SEGMENT INFORMATION

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

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

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

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

Revenue from major products and services

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

4. INCOME TAX CREDIT

Income tax credit recognised in profit or loss

	Six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Deferred tax:		
Current period	**(380)**	–

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2010: 16.5%) on the estimated assessable profit for the six months ended 30 September 2011. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the six months ended 30 September 2010 and 2011.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both periods). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for PRC Enterprise Income Tax has been made as there were no assessable profits generated from the Group's PRC operations during the six months ended 30 September 2010 and 2011.

5. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging/(crediting):		
Finance costs:		
– Effective interest expense on convertible bonds	**–**	885
– Effective interest expense on promissory note	**–**	2,676
	–	3,561
Directors' emoluments	**6,576**	5,018
Employee benefits expense (excluding directors' emoluments):		
– Salaries and other benefits *(Note (i))*	**9,875**	3,771
– Contributions to retirement benefits schemes *(Note (i))*	**346**	149
– Equity-settled share-based payments	**378**	543
	17,175	9,481
Gain on disposal of subsidiaries	**–**	(14,796)
Amortisation of mining rights	**1,523**	–
Cost of inventories recognised as expense	**30,783**	29,818
(Gain)/loss on disposal of property, plant and equipment	**(17)**	4
Depreciation of property, plant and equipment *(Note (ii))*	**2,220**	357
Expense in relation to share options granted to consultants	**21**	445
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	**1,417**	1,441
– Equipment	**9**	–
Expense capitalised in construction in progress:		
– Salaries and other benefits	**438**	–
– Contributions to retirement benefits schemes	**19**	–
– Depreciation of property, plant and equipment	**266**	90

Notes:

(i) Amount excluded expenses capitalised in construction in progress. Salaries and other benefits of approximately HK$4,783,000 were included in the cost of sales for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

(ii) Amount excluded expenses capitalised in construction in progress. Depreciation of property, plant and equipment of approximately HK$1,413,000 was included in the cost of sales for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

7. LOSS PER SHARE

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	**16,111**	28,556

Number of shares	**Six months ended 30 September**	
	2011	2010
	(Unaudited)	(Unaudited)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,619,586**	5,876,176

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

8. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) *HK$'000*	**Mining rights (Unaudited)** *HK$'000*	**Exploration and evaluation assets (Unaudited)** *HK$'000*
Six months ended 30 September 2011			
Net book amount at 1 April 2011	**78,977**	**144,211**	**1,083,902**
Additions	**10,626**	**–**	**3,037**
Amortisation	**–**	**(1,523)**	**–**
Depreciation expense	**(2,486)**	**–**	**–**
Disposals	**(160)**	**–**	**–**
Reclassified as property classified as held for sale	**(26,338)**	**–**	**–**
Effect of foreign currency exchange differences	**1,428**	**3,865**	**29,166**
Net book amount at 30 September 2011	**62,047**	**146,553**	**1,116,105**

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

Note:

Amongst the depreciation expense of approximately HK$2,486,000 for the six months ended 30 September 2011 (six months ended 30 September 2010: HK$447,000), approximately HK$266,000 (six months ended 30 September 2010: HK$90,000), HK$1,413,000 (six months ended 30 September 2010: Nil) and HK$807,000 (six months ended 30 September 2010: HK$357,000) were included in construction in progress, cost of sales and general and administrative expenses respectively.

9. TRADE AND OTHER RECEIVABLES

	At 30 September 2011 (Unaudited) *HK$'000*	At 31 March 2011 (Audited) *HK$'000*
Trade receivables	**–**	1
Prepayments, deposits and other receivables	**34,222**	8,687
	34,222	8,688

The Group allows an average credit period ranging from 30 to 60 days to its trade customers. Trade receivables are non-interest-bearing. The following is an aging analysis of net trade receivables at the end of the reporting period:

	At 30 September 2011 (Unaudited) *HK$'000*	At 31 March 2011 (Audited) *HK$'000*
0 – 60 days	**–**	1

Included in the balance of prepayments, deposits and other receivables of the Group at 30 September 2011 was an initial deposit of RMB3,000,000 (equivalent to approximately HK$3,652,000) paid by the Group upon entering into a framework agreement on 7 April 2011 in relation to the proposed acquisition of up to 85% equity-holdings of an independent PRC company that is the holder of a mining license and an exploration license in respect of silver and manganese mines located in Zhuolu County, Hebei province, the PRC.

As disclosed in the announcement dated 17 October 2011 (which date falls after the reporting period), as the due diligence results in connection with the above silver and manganese mines have not met the Group's expectations, the Group has decided not to proceed with the project.

10. PROPERTY CLASSIFIED AS HELD FOR SALE

On 11 May 2011, Sino Prosper Asphalt Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its office premises at a consideration of approximately HK$36,427,000.

11. TRADE AND OTHER PAYABLES

	At 30 September 2011 (Unaudited) *HK$'000*	At 31 March 2011 (Audited) *HK$'000*
Trade payables	–	286
Other payables and accruals	22,211	18,670
	22,211	18,956

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

	At 30 September 2011 (Unaudited) *HK$'000*	At 31 March 2011 (Audited) *HK$'000*
0 – 60 days	–	286

12. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2011 and 30 September 2011	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2010	2,662,063,158	26,621
Issue of new ordinary shares *(Note (i))*	2,888,000,000	28,880
Conversion of convertible bonds *(Note (ii))*	1,209,781,813	12,098
At 31 March 2011 and 1 April 2011	6,759,844,971	67,599
Issue of new ordinary shares *(Note (iii))*	1,100,000,000	11,000
Repurchase of ordinary shares *(Note (iv))*	(45,480,000)	(455)
At 30 September 2011	7,814,364,971	78,144

Notes:

(i) Pursuant to the placing agreement dated 12 March 2010 (as amended by a supplemental placing agreement dated 23 March 2010), the Company allotted and issued a total of 2,888,000,000 new shares at a subscription price of HK$0.19 each to not less than six placees on 7 May 2010. The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK$529 million.

(ii) During the year ended 31 March 2011, 1,209,781,813 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.075 per share.

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

The completion of the 2011 Placing Agreement took place on 3 May 2011 in accordance with the terms and conditions of the 2011 Placing Agreement and an aggregate of 1,100,000,000 Placing Shares were placed to not less than six placees at HK$0.38 per share.

On 9 May 2011, an aggregate of 1,100,000,000 shares of HK$0.01 each in the capital of the Company were allotted and issued to Mr. Leung at HK$0.38 per subscription share. The exercise gave rise to an aggregate net proceeds of approximately HK$400 million, which are intended to be used as general working capital of the Group and to finance any possible acquisition plan of the Group in the future.

(iv) During the six months ended 30 September 2011, the Company repurchased its own ordinary shares on the Stock Exchange. 67,400,000 ordinary shares were repurchased at an aggregate consideration of approximately HK$11,820,000 during the six months ended 30 September 2011 of which 45,480,000 ordinary shares were cancelled. The issued share capital of the Company was reduced by the par value of the repurchased ordinary shares so cancelled. The premium paid for the repurchase of the ordinary shares, of approximately HK$7,929,000 was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the condensed consolidated statement of changes in equity.

13. OPERATING LEASE COMMITMENTS

At 30 September 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2011 (Unaudited) *HK$'000*	At 31 March 2011 (Audited) *HK$'000*
Within one year	**3,525**	829
In the second to fifth years inclusive	**5,227**	41
	8,752	870

14. CAPITAL COMMITMENTS

At 30 September 2011, the Group had the following significant commitments which were not provided for in the interim financial statements:

	At 30 September 2011 (Unaudited) *HK$'000*	At 31 March 2011 (Audited) *HK$'000*
Contracted but not provided for:		
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	**36,821**	41,778
– Exploration and evaluation expenditure	**7,930**	9,173
– Construction expenditure	**18,686**	22,892
	63,437	73,843

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this announcement, the Group entered into the following significant related party transactions during the six months ended 30 September 2011:

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**6,400**	4,720
Post-employment benefits	**24**	28
Share-based payments	**152**	270
	6,576	5,018

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

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company further repurchased on the Stock Exchange a total of 34,570,000 ordinary shares of HK$0.01 each of the Company at an aggregate consideration of approximately HK$4,752,000.

OPERATIONAL REVIEW

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

The Group is now focusing on the expansion of production and resources at its Aohanqi Project (in connection with which the Group holds 70% equity interests in Inner Mongolia Aohanqi XinRuiEn Mining Co., Ltd. ("Aohan Qi") which holds a mining license covering 2.70 square kilometres (km^2)); on the expansion and consolidation of operations in the Aohan Banner in Inner Mongolia through its Regional Cooperation Agreement with the local government; on the development and early production at its 92% owned Heilongjiang Zhongyi-Weiye Economic & Trade Co. Ltd. (黑龍江中誼偉業經貿有限公司 "Zhongyi-Weiye") which holds five exploration licenses covering approximately 364km^2 in contiguous areas; and in the expansion of its resources and production through acquisition of advanced-stage, value enhancing projects. As at the date of this announcement, the Group completed the due diligence work regarding a potential acquisition of up to an 85% interest in silver and manganese mines located in Zhuolu County, Hebei province (河北省涿鹿縣), the PRC pursuant to the Framework Agreement signed on 7 April 2011.

The following sets out the major developments of the Group during the reporting period.

Current Operations

Investment in Gold Mine Project in Inner Mongolia, the PRC ("Aohanqi Project")

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

The sole asset of Favour South is the entire issued capital of Great Surplus Investment Limited ("Great Surplus"), a company incorporated in Hong Kong, which held the right to contribute and own 70% of the registered and paid up capital of Aohan Qi. Aohan Qi was and is the holder of a permit for the mining of gold at a mine located at Gouliang Town, Aohan Qi, Inner Mongolia Autonomous Region.

The Inner Mongolia Acquisition constituted a major transaction of the Company under Chapter 14 of the Listing Rules. The transaction was approved by Shareholders at the extraordinary meeting held on 17 June 2010. Save as disclosed in the Company's announcement dated 29 June 2010, all conditions precedent to the completion of the Inner Mongolia Acquisition were fulfilled, and the transaction was completed on 29 June 2010.

After the change of the directors and legal representative of Aohan Qi, and obtaining approval from PRC governmental departments, as well as obtaining of the business license issued by the Administration for Industry and Commerce (which license states the paid-up capital of Aohan Qi to be RMB10 million) and the approval certificate from the Department of Commerce of Inner Mongolia Autonomous Region to increase the registered capital to RMB50 million, the balance of the Consideration for the transaction of HK$31,818,182 was paid to Mr. Hong on 9 August 2010. As at 10 August 2010, the increase of the registered capital of Aohan Qi to RMB50 million was completed.

Up to 30 September 2011, an aggregate of RMB50 million was injected by the joint venture parties. During the six months ended 30 September 2011, Aohan Qi has generated revenue of approximately RMB4.8 million.

In only fifteen months after the completion of the acquisition of the 70% equity interest in Aohan Qi, the Group has made the following significant progress:

1: Ore Processing Plant and Refinery

The first phase of the construction of its 500 tonne per day (tpd) Aohanqi processing facilities was completed in only four months after acquisition of the project on 29 June 2010. The plant equipment, accessory equipment, and the first-phase tailing pond were installed and completed. The official opening of the Aohanqi Processing Plant was held on 20 November 2010 and was attended by local government officials.

The plant achieved its full processing capability of 500tpd by the end of December 2010. However, current gold output was limited because access to the main ore body required for planned gold production levels under the Company's mining planning was restricted because of remedial construction and safety upgrades. In order to test plant equipment and operations, since January 2011 feedstock for the processing plant had been provided from waste rock obtained during expansion of the underground mine workings. The Group is pleased to report that the remedial construction and safety upgrades were completed effective 12 August 2011 at a total cost of approximately RMB5 million. Works completed included rehabilitation of tunnel support systems, roadway reconstruction, improved ventilation, equipment upgrades. The processing plant restarted production on 20 September 2011, with a ramp-up time of about three to four weeks before daily production capacity of 500tpd is reached. Construction is also underway for the upgrading and expansion of office buildings, tailing pond and other ancillary facilities.

However, because of other on-going underground construction in the mine, as outlined below, access to deeper parts of the high-grade zones is still limited and mine output capacity is confined to about 350tpd from the ultimate existing capacity of 600tpd. Until planned completion of this other construction, mine output will continue to be blended with waste rock to produce an expected average head grade to the plant of about 3g/t. Completion of the additional tunnel construction will result in full access and upgraded mine output capacity, hence restoration of normal head grades within the first half of 2012.

In view of these delays and because of alternative processing and mining options resulting from the previously announced Aohan Banner Regional Cooperation Agreement, as discussed further below, the previously announced expansion of the processing plant has been postponed. On a similar basis, the previously announced RMB100 million refinery construction has also been postponed when this analysis continues.

2: *Expansion of Aohanqi Mining Operations*

Stage I work at the Aohanqi Mine (i.e. reconstruction of tunnels and supporting facilities) has been completed and ultimate mining capacity was increased from approximately 200tpd to approximately 600tpd. Stage II of the mine expansion has advanced considerably. Construction of four new and larger standard specification vertical shafts (#2, #3, #6 and #8), each with seven sub-levels planned, have made good progress with the vertical shafts having reached depths of 320 meters (m), 120m, 160m and 270m, respectively. Furthermore, as of the end of August 2011, approximately 800m of new underground tunnels have been constructed for a current total of about 8,000m of existing underground tunnels. Upon completion of these vertical shafts and related connecting tunnels, expected mine output capacity will be approximately 2,000tpd and will allow for access to a number of additional identified mineralised zones. This mine expansion is expected to be substantially completed in early 2012.

While the delay in establishing full production because of these enhancements is regrettable, management has always been placing safety of its workers and long-term sustainable operation above short-term profits.

3: *Exploration of Aohanqi Project*

The Group has successfully implemented the appropriate Quality Assurance/Quality Control (QA/QC) procedures for sampling, sample handling and security, chain of custody, analytical procedures and reporting. The 2010 drilling program concentrated on: (1) confirming previous drill and underground sample results, (2) extending known mineralisation to depth and along strike, and (3) testing new vein zones identified by surface mapping and sampling. However, much of this geological work was carried out in accordance with the PRC standards prior to implementation of QA/QC protocols required for JORC standard.

The Group commenced a new exploration programme in March 2011 involving both surface drilling and underground sampling. Currently 7 drill rigs are on site. The current year program has completed 50 new holes for a total of 16,000m. To date, more than 3,000 samples have been collected. As additional drilling is yet to be completed, the issuance of the JORC compliant technical report will be further postponed to the first quarter of calendar year 2012, to allow for collection of further required data.

4. *Expansion of the Current Mining License Area*

The first phase of the application for the expansion of the mining license area has been completed. The Aohanqi mining area was expanded from the original 2.07km^2 to 2.70km^2 (Chinese regulations require that each expansion application cannot be 1/3 larger than the current area). The Group has also been granted the right to additional licence areas contiguous with its property and will now continue to expand its licensed area with an ultimate goal of a mining license covering 10km^2 (up from a previously reported 6km^2).

5. *Management Team Upgrade*

As the results to-date was considered, unsatisfactory, the Board decided to make significant changes to the Aohanqi Mine local project management team over the past few months. As of the end of August 2011, a total of 6 senior managers were replaced by more experienced management. The Board expects that these changes in the Aohanqi Mine management will improve performance and project delivery going forward.

Aohan Banner Framework Cooperative Agreement

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

The Aohan Banner Government has undertaken to supply to SP Minerals exploration areas for gold, copper, jade and gem stone resources, and to provide land use priority regarding its processing facilities. During the stage of project development, the Aohan Banner Government will aim to waive various administrative fees chargeable at the banner level on relevant project companies of SP Minerals, and will coordinate to allow project companies to enjoy the lowest possible administrative fees chargeable at or above municipal level.

The Aohan Banner Government has agreed to assist SP Minerals in project approval, environmental evaluation, mining, development and processing of gold, copper, jade and gem stone resources, and ensure the normal production and smooth operation of the projects undertaken by SP Minerals. The Aohan Banner Government will assist SP Minerals to apply for national project subsidies and ensure that SP Minerals may enjoy preferential policies applicable to industrial enterprises promulgated by the Aohan Banner Government.

SP Minerals may set up project companies (with independent legal person status) in the Aohan Banner region to make investments. SP Minerals will utilise its advantages in capital, management and technology to implement the arrangement and to enhance gold, copper, jade and gem stone resource production efficiency by utilising technology of international level. In the design and operation, SP Minerals (and the relevant project companies) will follow the national industrial policy of the PRC, and will ensure that relevant safety and environmental standards are consistent with the national standards of the PRC.

The Group is very pleased with the opportunity presented by the Aohan Agreement. The Aohan Agreement offers the Group the potential to be a significant consolidator within this 8,300km^2 prolific mining region. The Banner is home to over 40 state-owned mines. Among these are 17 operating large and small state-owned gold mines, of which 15 are located near the Group's project on the southeast side of Aohanqi.

Management believes this is a significant opportunity for the Group being offered the opportunity not only to consolidate its operation at its Aohanqi Mine with others in the area, which may result in both potential expansions of resources and production but also improve project economics and more effective use of the Group's existing resources.

The Group has organised its regional team to begin to examine data and opportunities provided by the local government. Also, due to severe monetary tightening in the PRC, a large number of small to medium-scale mining and processing plants are available for sale. As such, there is a great opportunity to acquire better quality resources and processing plants, and to make better use of current cash on hand. As a result of the potential from these new opportunities, the planned expansion of the Aohanqi processing facilities has been postponed as the Group considers "in-production" projects introduced by the government.

The Group expects to make decisions on potential acquisitions and plant expansion in the first half of 2012.

Investment in Zhongyi Weiye Copper and Gold Mines Project in Heilongjiang Province, PRC ("Zhongyi-Weiye Project")

On 17 May 2010, Victor Bright Investment Limited, 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") ("2010 Acquisition"). The 2010 Acquisition involves (i) the purchase by the Company from the First Vendor and Second Vendor (who were joint venture partners to the Group holding 21% and 14% equity interest in Zhongyi-Weiye respectively) of an aggregate 27% equity interest in Zhongyi-Weiye pursuant to the terms and conditions of the 2010 Acquisition Agreement, and (ii) the subsequent contribution by the Group to additional portion of registered capital in Zhongyi-Weiye to the extent of RMB44.3 million after completion of the 2010 Acquisition Agreement. At the time of entering into the 2010 Acquisition Agreement, Zhongyi-Weiye was a 65% equity owned indirectly held subsidiary of the Company. The consideration for the 2010 Acquisition Agreement was RMB24 million in aggregate (subject to adjustment), of which RMB11.56 million was payable to the First Vendor and RMB12.44 million was payable to the Second Vendor in cash only.

Zhongyi-Weiye is the holder of the exploration permits of five mines in the PRC with total mining area of some 364.61km^2. The predominant values in these mines are various metals, including copper and gold.

The corporate nature of Zhongyi-Weiye was a Sino-foreign equity joint venture enterprise and, immediately following the completion of the transfer of the 27% equity interest in Zhongyi-Weiye and without taking account of any increase in Zhongyi-Weiye's registered capital, the equity ownership was held 92% by the Group and 8% by the First Vendor respectively. Following completion of the increase in the registered capital, the corporate nature of Zhongyi-Weiye was amended to become a Sino-foreign cooperative joint venture enterprise, subject to a profit-sharing ratio of 92% enjoyed by the Group and 8% by the First Vendor, despite dilution to the equity interest held by the First Vendor as a result of the increase of registered capital by the Company after completion of the 2010 Acquisition.

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

At its Zhongyi-Weiye Project in Heilongjiang Province, the Group currently has five exploration licenses for poly-metallic (including gold and copper) prospects, which cover an area of 364.61km^2. As previously reported, the Group has entrusted Heilongjiang Suihua Jinbo Geology and Mineral Ltd. to perform systemic exploration work, focusing initially three tenements: PaoShouYingDongShan (砲手營東山), SanChaLu (三岔路) and XiNanCha (西南岔). During this initial exploration work, the focus will be on developing resources based on the prevailing relevant PRC standards, with an aim to obtain mining permits as soon as possible. To the extent as permitted under the relevant circumstance, appropriate QA/QC and other procedures were implemented to allow for future JORC compliant mineral resource exploration and calculations.

Systematic geophysical and geochemical survey has been conducted on the five exploration tenements, with new systemic trench testing based on the previous work. Drill testing on the mineralisation zone controlled by trenching has also been undertaken. Cumulative work has consisted to date of some 40,000m^3 exploration trenches, 5,000m trench logging, 1:10,000 geochemical soil survey over 41.34km^2, 1:10,000 intermediate gradient IP measurement over 19.06km^2 and over 4,000m of drilling.

Last year, due to unusual weather conditions and local flooding during the summer drill season, exploration work was delayed and drilling work was adversely affected. Nonetheless, drilling of about 4,000m was completed, some 1,400 samples collected. Assay results from this programme were not satisfactory with relatively lower than expected grades and quantities.

However new high potential targets have been identified and a newly designed drilling program totalling 3,000m is under way. Currently, 4 drill rigs are in place and expected to complete the first phase of drilling by the end of 2011. The Group's objective is to develop PRC standard resource reports, apply for mining licenses and to commence initial production by the end of 2012.

Up to 30 September 2011, an aggregate of RMB19.7 million was injected by the Group and the First Vendor. During the six months ended 30 September 2011, Zhogyi-Weiye did not generate any revenue.

Hebei Province Framework Agreement

On 7 April 2011, Sino Prosper State Gold HK Limited, a wholly-owned subsidiary of the Group and a limited liability company incorporated in the PRC, which is (and whose beneficial owner(s) are independent third party of the Company (the "Intended Hebei Vendor")), entered into the framework agreement ("Framework Agreement"), pursuant to which the parties expressed their common intent of sale and purchase of the whole or part of 85% equity holdings held by the Intended Hebei Vendor in a limited liability company incorporated in the PRC, which is an independent third party of the Company (the "Hebei Target Company"). The Hebei Target Company is the holder of a mining license and an exploration license in respect of silver and manganese mines located in Zhuolu County, Hebei province (河北省涿鹿縣), the PRC. Based on a geological report prepared in May 2010 and supplied by the Intended Hebei Vendor, the relevant mines contain mineral reserves of some 422 tons of silver and 129,685 tons of manganese, whose total selection and refining recovery rate (選冶總回收率) is 75%. The Hebei Target Company is principally engaged in the business of exploration and mining of silver and manganese minerals.

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

Outlook

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

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

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

FINANCIAL REVIEW

For the six months ended 30 September 2011, the Group recorded total turnover of approximately HK$32,854,000 which comprises a turnover of (i) approximately HK$27,092,000 from the sales of gold (six months ended 30 September 2010: HK$27,700,000); (ii) approximately HK$5,355,000 from the sales of gold concentrate (six months ended 30 September 2010: Nil); and (iii) approximately HK$407,000 from the sales of silver concentrates (six months ended 30 September 2010: Nil). For the six months ended 30 September 2011, the Group did not record any turnover on sales of fuel oil and chemicals (six months ended 30 September 2010: approximately HK$2,090,000). Total Group's turnover increased by approximately 10% as compared to last period. Such increase was mainly attributable to the generation of turnover from the sales of gold concentrates of approximately HK$5,355,000. For the six months ended 30 September 2011, the Group's net loss attributable to shareholders was approximately HK$16,111,000 (six months ended 30 September 2010: approximately HK$28,556,000). The decrease in the Group's net loss attributable to shareholders was mainly due to the absence of loss on early redemption of promissory note (six months ended 30 September 2010: approximately HK$18,414,000).

As at 30 September 2011, the Group recorded total assets of approximately HK$2,136,874,000 (as at 31 March 2011: approximately HK$1,724,737,000), and recorded total liabilities of approximately HK$68,489,000 (as at 31 March 2011: approximately HK$64,393,000). The Group's net asset value as at 30 September 2011 increased by 25% to approximately HK$2,068,385,000 as compared to approximately HK$1,660,344,000 as at 31 March 2011. The significant increase in the Group's net asset value was mainly attributable to the increase in bank balances and cash of HK$332,507,000 arising from placing of 1,100,000,000 ordinary shares as set out in "Liquidity and Financial Resources" below.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and capital fund raising activities.

1,100,000,000 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 27 April 2011 entered into between the Company with Mr. Leung, an executive director, the chairman and a substantial shareholder of the Company, and the placing agents, whereby the placing agents agreed to place on a best effort basis, up to 1,100,000,000 ordinary shares to not less than six placees at an issue price of HK$0.38 per share, and (b) a subscription agreement dated 27 April 2011 entered into between the Company and Mr. Leung, whereby Mr. Leung conditionally agreed to subscribe for up to 1,100,000,000 shares at a subscription price of HK$0.38 per share. The exercise gave rise to an aggregate net proceeds of approximately HK$400 million, which are intended to be used as general working capital of the Group and to finance any possible acquisition plan of the Group in the future.

As at 30 September 2011, the Group had cash and bank balances of approximately HK$644,317,000 (as at 31 March 2011: approximately HK$311,810,000). As at 30 September 2011, the Group had no outstanding borrowings (as at 31 March 2011: approximately HK$Nil). Its gearing ratio calculated as a ratio of net debt to total equity was Nil (as at 31 March 2011: Nil). As at 30 September 2011, the Group's net current assets totalled approximately HK$687,785,000 (as at 31 March 2011: approximately HK$299,195,000) and the current ratio was maintained at a level of approximately 22.8 (as at 31 March 2011: approximately 11.6).

From 27 July 2011 and up to 30 September 2011, the Company repurchased for cancellation 67,400,000 shares for an aggregate consideration of approximately HK$11,820,000 of which 45,480,000 shares were cancelled as at 30 September 2011 and the remainder are in the process of being cancelled.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

As at 31 March 2011 and 30 September 2011, the Group had no contingent liabilities.

CAPITAL COMMITMENTS

At 30 September 2011, the Group had the following significant commitments which were not provided for in the interim financial statements:

	At 30 September 2011 (Unaudited) ***HK$'000***	At 31 March 2011 (Audited) *HK$'000*
Contracted but not provided for:		
– Capital commitment to the registered capital of a PRC subsidiary payable by the Group	**36,821**	41,778
– Exploration and evaluation expenditures	**7,930**	9,173
– Construction expenditure	**18,686**	22,892
	63,437	73,843

FOREIGN EXCHANGE EXPOSURE

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

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

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group employed 330 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market salaries. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this interim announcement, there were no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealing in securities of the Company by the Directors. In response to the Company's specific enquiry made, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 September 2011.

CORPORATE GOVERNANCE & PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock

Exchange of Hong Kong Limited (the "Listing Rules"). The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save and except as hereinafter mentioned, the Company was in compliance with the Code for the six months ended 30 September 2011:

Code Provision E.1.2

Pursuant to Code Provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting held on 30 August 2011 in order to attend to other matters. A director of the Company ("Director") was present at the annual general meeting to chair the meeting. To ensure compliance with the Code in the future, the Company has arranged and will arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors (including the Chairman of the Board) can attend the annual general meeting.

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

During the reporting period, the Company repurchased a total of 67,400,000 shares at a total consideration of approximately HK$11,820,000. The highest and lowest prices paid for such purchases are HK$0.214 and HK$0.130 per share, respectively. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

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.

The unaudited condensed consolidated results of the Group for the six months ended 30 September 2011 have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results of the Group for the six months ended 30 September 2011 is available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and on the website of the Company at http://www.sinoprosper.com. An interim report for the six months ended 30 September 2011 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

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

Hong Kong, 28 November 2011

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