

Interim Report 2013



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)

Interim Results

The board (the “Board”) of directors (the “Directors”) of Sino Prosper State Gold Resources Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2013 (the “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 Profit or Loss And Other Comprehensive Income

	Notes	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	2	27,187	34,079
Cost of sales		(24,253)	(35,043)
Gross profit/(loss)		2,934	(964)
Other income and gains	4	10,432	3,835
General and administrative expenses		(42,588)	(39,412)
Loss before tax		(29,222)	(36,541)
Income tax credit	5	746	305
Loss for the period	6	(28,476)	(36,236)
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		26,681	(3,769)
Other comprehensive income/(expense) for the period, net of income tax		26,681	(3,769)
Total comprehensive expense for the period		(1,795)	(40,005)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Loss attributable to:			
Owners of the Company		(26,334)	(33,113)
Non-controlling interests		(2,142)	(3,123)
		<hr/>	<hr/>
		(28,476)	(36,236)
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Total comprehensive (expense)/income attributable to:			
Owners of the Company		(2,137)	(36,518)
Non-controlling interests		342	(3,487)
		<hr/>	<hr/>
		(1,795)	(40,005)
		<hr/>	<hr/>
Loss per share	8		
Basic and diluted (HK cents per share)		(3.38)	(4.27)
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Condensed Consolidated Statement of Financial Position

		At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	106,371	104,116
Mining rights	9	140,149	141,419
Exploration and evaluation assets	9	1,174,081	1,151,082
Goodwill		96,053	94,177
		1,516,654	1,490,794
Current assets			
Inventories		5,418	9,244
Loans receivables	10	7,556	15,632
Trade and other receivables	11	361,422	358,641
Amount due from a non-controlling interest of a subsidiary		10	–
Bank balances and cash		181,493	186,499
		555,899	570,016
Current liabilities			
Other payables and accruals		23,588	26,837
Amount due to a non-controlling interest of a subsidiary		9,388	9,205
Tax payable		1,250	979
		34,226	37,021
Net current assets		521,673	532,995
Total assets less current liabilities		2,038,327	2,023,789
Non-current liabilities			
Provision for restoration costs		400	393
Deferred tax liabilities		34,874	35,194
		35,274	35,587
Net assets		2,003,053	1,988,202
Capital and reserves			
Share capital	12	81,359	77,579
Reserves		1,798,408	1,787,679
Equity attributable to owners of the Company		1,879,767	1,865,258
Non-controlling interests		123,286	122,944
Total equity		2,003,053	1,988,202

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash used in operating activities	(9,583)	(25,423)
Net cash used in investing activities	(646)	(158,453)
Net cash generated by financing activities	7,504	1,420
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,725)	(182,456)
Cash and cash equivalents at the beginning of period	186,499	477,218
Effect of foreign exchange rate changes	(2,281)	200
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	181,493	294,962
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	181,493	435,587
Short-term bank deposits	–	(140,625)
	181,493	294,962

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Foreign currency translation reserve	Capital redemption reserve	Other reserve	Accumulated losses	Subtotal		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000		
Balance at 1 April 2012	77,579	1,619,430	-	69,950	12,640	105,164	1,020	249,089	(220,590)	1,914,282	129,004	2,043,286
Loss for the period	-	-	-	-	-	-	-	-	(33,113)	(33,113)	(3,123)	(36,236)
Other comprehensive expense for the period	-	-	-	-	-	(3,405)	-	-	-	(3,405)	(364)	(3,769)
Total comprehensive expense for the period	-	-	-	-	-	(3,405)	-	-	(33,113)	(36,518)	(3,487)	(40,005)
Placing of warrants	-	-	1,420	-	-	-	-	-	-	1,420	-	1,420
Recognition of equity-settled share-based payments	-	-	-	10,910	-	-	-	-	-	10,910	-	10,910
Balance at 30 September 2012	77,579	1,619,430	1,420	80,860	12,640	101,759	1,020	249,089	(253,703)	1,890,094	125,517	2,015,611

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Foreign currency translation reserve	Capital redemption reserve	Other reserve	Accumulated losses	Subtotal		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000		
Balance at 1 April 2013	77,579	1,619,430	1,420	82,021	12,640	113,336	1,020	249,089	(291,277)	1,865,258	122,944	1,988,202
Loss for the period	-	-	-	-	-	-	-	-	(26,334)	(26,334)	(2,142)	(28,476)
Other comprehensive income for the period	-	-	-	-	-	24,197	-	-	-	24,197	2,484	26,681
Total comprehensive income/(expense) for the period	-	-	-	-	-	24,197	-	-	(26,334)	(2,137)	342	(1,795)
Recognition of equity-settled share-based payments	-	-	-	9,142	-	-	-	-	-	9,142	-	9,142
Issue of ordinary shares under share option scheme	3,780	9,458	-	(5,734)	-	-	-	-	-	7,504	-	7,504
Release of reserve upon share options canceled	-	-	-	(7,823)	-	-	-	-	7,823	-	-	-
Balance at 30 September 2013	81,359	1,628,888	1,420	77,606	12,640	137,533	1,020	249,089	(309,788)	1,879,767	123,286	2,003,053

Notes to The Condensed Consolidated Interim Financial Statements

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements have 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 statements should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which have been prepared in accordance with HKFRSs.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013 except as described below.

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

Amendments to HKFRS 1	<i>Government Loans</i>
Amendments to HKFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 13	<i>Fair Value Measurement</i>
Amendments to HKAS 1	<i>Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (as revised in 2011)	<i>Employee Benefits</i>
HKAS 27 (as revised in 2011)	<i>Separate Financial Statements</i>
HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2009 – 2011 Cycle</i>
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

Notes to The Condensed Consolidated Interim Financial Statements

1. Basis of Preparation and Accounting Policies (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (continued)

The Group has renamed “statement of comprehensive income” as “statement of profit or loss and other comprehensive income” and the presentation of items of other comprehensive income has been modified accordingly upon the adoption of the amendments.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement requirements prospectively. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

Except for the above, the adoption of these amendments to standards has no significant impact on the results and financial position of the Group.

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

Amendments to HKFRS 9 and HKFRS 7	<i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ²
HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i> ¹
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC) – Int 21	<i>Levies</i> ¹

Notes:

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

Notes to The Condensed Consolidated Interim Financial Statements

1. Basis of Preparation and Accounting Policies (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

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

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to The Condensed Consolidated Interim Financial Statements

1. Basis of Preparation and Accounting Policies (continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

2. Revenue

An analysis of the Group’s revenue for the period is as follows:

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Revenue from sales of gold concentrates and amalgam	5,423	10,971
Revenue from sales of silver concentrates	–	94
Revenue from sales of gold	20,344	23,005
Interest income from loan financing activities	1,420	9
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	27,187	34,079
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Notes to The Condensed Consolidated Interim Financial Statements

3. Segment Information

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- (a) investment in energy and natural resources (including precious metals) related projects; and
- (b) the money lending segment represents provision of loan financing.

The following tables present revenue and results for the six months ended 30 September 2013 and 2012, and total assets and total liabilities as at 30 September 2013 and 31 March 2013 for the Group’s business segments.

	Investment in energy and natural resources (including precious metals) related projects HK\$’000	Money lending HK\$’000	Total HK\$’000
Six months ended 30 September 2013 (Unaudited)			
Segment revenue	25,767	1,420	27,187
Segment (loss)/profit	(6,806)	1,399	(5,407)
Interest on bank deposits, other income and gains			10,432
Central administration costs			(34,247)
Loss before tax			(29,222)
Six months ended 30 September 2012 (Unaudited)			
Segment revenue	34,070	9	34,079
Segment loss	(14,164)	(17)	(14,181)
Interest on bank deposits, other income and gains			3,835
Central administration costs			(26,195)
Loss before tax			(36,541)

Notes to The Condensed Consolidated Interim Financial Statements

3. Segment Information (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current interim period (six months ended 30 September 2012: Nil).

Segment (loss)/profit represents the (loss)/profit incurred by each segment without allocation of central administration costs and interest on bank deposits, other income and gains. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

	Investment in energy and natural resources (including precious metals) related projects HK\$'000	Money lending HK\$'000	Total HK\$'000
As at 30 September 2013 (Unaudited)			
Segment assets	1,524,647	13,551	1,538,198
Corporate and unallocated assets			534,355
Consolidated assets			2,072,553
Segment liabilities	55,219	199	55,418
Corporate and unallocated liabilities			14,082
Consolidated liabilities			69,500
As at 31 March 2013 (Audited)			
Segment assets	1,508,950	25,906	1,534,856
Corporate and unallocated assets			525,954
Consolidated assets			2,060,810
Segment liabilities	58,451	199	58,650
Corporate and unallocated liabilities			13,958
Consolidated liabilities			72,608

Notes to The Condensed Consolidated Interim Financial Statements

3. Segment Information (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than other unallocated head office and corporate assets. Mining rights, exploration and evaluation assets and goodwill are allocated to operating segments; and
- all liabilities are allocated to operating segments other than other unallocated head office and corporate liabilities.

4. Other income and gains

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest income on bank deposits	2,094	3,442
Net foreign exchange gains	4,688	302
Sundry income	3,650	91
	<hr/>	<hr/>
	10,432	3,835

5. Income Tax Credit

Income tax recognized in profit or loss

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current tax:		
The People's Republic of China ("PRC") Enterprise Income tax	271	395
Deferred tax	(1,017)	(700)
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Total income tax credit recognized in profit or loss	(746)	(305)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2012: 16.5%) on the estimated assessable profit for the six months ended 30 September 2013.

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.

Notes to The Condensed Consolidated Interim Financial Statements

6. Loss for the Period

	Six months ended	
	30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Directors' emoluments (Note (iii))	6,369	9,986
Employee benefits expense (excluding directors' emoluments):		
– Salaries and other benefits (Note (i))	6,199	12,173
– Contributions to retirement benefits schemes (Note (i))	422	1,249
– Equity-settled share-based payments (Note (iii))	1,163	5,806
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Total staff costs	14,153	29,214
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Auditors' remuneration	590	490
Amortization of mining rights included in general and administrative expenses	4,069	2,800
Cost of inventories recognized as expense	24,253	35,043
Depreciation of property, plant and equipment (Note (ii))	2,376	3,239
Loss on disposal of property, plant and equipment	101	–
Expense in relation to share options granted to consultants (Note (iii))	7,979	1,545
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	1,603	1,893
– Equipment	18	18

Notes:

- (i) Amount excluded expenses capitalized in construction in progress of approximately HK\$27,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$774,000). Salaries and other benefits of approximately HK\$1,464,000 were capitalized in inventories for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$5,804,000).
- (ii) Amount excluded expenses capitalized in construction in progress of approximately HK\$655,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$443,000). Depreciation of property, plant and equipment of approximately HK\$1,666,000 was capitalized in inventories for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$2,326,000).
- (iii) During the six months ended 30 September 2013, the Company has granted 60,200,000 share options (six months ended 30 September 2012: 63,300,000 share options) to eligible persons (including directors, employees and consultants of the Company) under the share option scheme adopted on 20 April 2012.

Notes to The Condensed Consolidated Interim Financial Statements

7. Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

8. 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<u>Loss</u>		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(26,334)	(33,113)
<u>Number of shares</u>		
	Six months ended 30 September	
	2013 (Unaudited) '000	2012 (Unaudited) '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	779,104	775,787

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 schemes and outstanding warrants since their exercise would have an anti-dilutive effect.

Notes to The Condensed Consolidated Interim Financial Statements

9. 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 2013			
Net book amount at 1 April 2013	104,116	141,419	1,151,082
Additions	3,941	–	67
Disposals	(714)	–	–
Amortization	–	(4,069)	–
Depreciation expense	(3,031)	–	–
Effect of foreign currency exchange differences	2,059	2,799	22,932
Net book amount at 30 September 2013	106,371	140,149	1,174,081
Six months ended 30 September 2012			
Net book amount at 1 April 2012	79,437	147,531	1,139,157
Additions	19,068	–	2,645
Amortization	–	(2,800)	–
Depreciation expense	(3,682)	–	–
Effect of foreign currency exchange differences	(226)	(411)	(3,174)
Net book amount at 30 September 2012	94,597	144,320	1,138,628

Note:

Amongst the depreciation expense of approximately HK\$3,031,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$3,682,000), approximately HK\$655,000 (six months ended 30 September 2012: HK\$443,000) and HK\$1,666,000 (six months ended 30 September 2012: HK\$2,326,000) were capitalized in construction in progress and inventories respectively, and approximately HK\$710,000 (six months ended 30 September 2012: HK\$913,000) was included in general and administrative expenses.

Notes to The Condensed Consolidated Interim Financial Statements

10. Loans Receivables

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Loans receivables from money lending activities	7,556	15,632

The Group seeks to maintain strict control over its outstanding loans receivables so as to minimize credit risk. The granting of loans is subject to approval by the Directors and/or its subsidiaries, where appropriate, whilst overdue balances are reviewed regularly by senior management. Loans receivables are charging on effective interest rate mutually agreed with the contracting parties, ranging from 12% to 36% per annum (at 31 March 2013: 18% to 24% per annum).

The following is an aging analysis of loans receivables based on repayment schedule date at the end of the Reporting Period:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Within 1 month	1,055	632
3 months or less but over 1 month	1	3,501
6 months or less but over 3 months	2	7,500
1 year or less but over 6 months	6,498	3,999
	7,556	15,632

Notes to The Condensed Consolidated Interim Financial Statements

11. Trade and Other Receivables

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Trade receivables	20	–
Prepayments, deposits and other receivables	361,402	358,641
Total trade and other receivables	361,422	358,641

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 based on invoice date at the end of the Reporting Period:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
61-90 days	20	–

Included in the balance of prepayments, deposits and other receivables of the Group at 30 September 2013 and 31 March 2013 were refundable deposits of HK\$200,000,000 in relation to the acquisition of the entire equity interest of Treasure Join Limited (Note 17(a)) and approximately Renminbi (“RMB”) 120,000,000, equivalent to approximately HK\$147,240,000 in relation to the proposed acquisition of the entire equity interest of Success State Development Limited.

Notes to The Condensed Consolidated Interim Financial Statements

12. Share Capital

	Number of shares	Share capital HK\$'000
Authorized:		
Ordinary shares of HK\$0.10 each at 31 March 2013 and 30 September 2013	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2012, 31 March 2013 and 1 April 2013	775,787,497	77,579
Exercise of share options (Note)	37,800,000	3,780
Ordinary shares of HK\$0.10 each at 30 September 2013	813,587,497	81,359

Note:

Share options were exercised by option holders during the current interim period to subscribe for a total of 37,800,000 shares of HK\$0.10 each by payment of subscription monies of approximately HK\$7,504,000, of which approximately HK\$3,780,000 was credited to share capital and the balance of approximately HK\$3,724,000 was credited to the share premium account.

13. Operating Lease Commitments

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

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Within one year	990	2,758
In the second to fifth years inclusive	789	497
	1,779	3,255

Notes to The Condensed Consolidated Interim Financial Statements

14. Capital Commitments

At the end of the Reporting Period, the Group had the following significant commitments which were not provided for in the condensed consolidated interim financial statements:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Contracted but not provided for:		
– Exploration and evaluation expenditure	2,057	714
– Construction expenditure	6,703	6,536
– Purchase of property, plant and equipment	183	168
	<hr/> 8,943	<hr/> 7,418

15. Related Party Transactions

Save as disclosed elsewhere in this interim report, the Group had the following significant transactions with related parties during the six months ended 30 September 2013:

Compensation of key management personnel

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short-term employee benefits	6,340	6,400
Post-employment benefits	29	27
Equity-settled share-based payments	–	3,559
	<hr/> 6,369	<hr/> 9,986

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

Notes to The Condensed Consolidated Interim Financial Statements

16. Fair Value Measurement

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

17. Events after the Reporting Period

- (a) On 27 September 2012, Favour South Limited, being a wholly-owned subsidiary of the Company, and Mr. Leung Ngai Man (“**Mr. Leung**”), being the chairman, an executive director and substantial shareholder of the Company entered into an agreement (“**Agreement**”) (as supplemented by three supplemental agreements dated 19 November 2012, 19 December 2012 and 23 September 2013, respectively (collectively, the “**Supplemental Agreements**”)), pursuant to which Favour South Limited has agreed to acquire, and Mr. Leung has agreed to sell, or procure the sale of, the entire issued share capital of Treasure Join Limited (“**Sale Shares**”), a company incorporated in the British Virgin Islands (“**BVI**”) and wholly owned by Mr. Leung (the “**Target BVI**”), and the sale debts subject to the terms and conditions of the Agreement (as supplemented by the Supplemental Agreements). The consideration shall be a maximum of HK\$850 million (subject to adjustments), subject to the respective closing conditions and payment conditions as stated in the Agreement (as supplemented by the Supplemental Agreements), being fulfilled or waived (to the extent waivable). The acquisition constituted a connected transaction under Chapter 14A of the Listing Rules, and completion took place on 11 October 2013.

Following the completion, the Target BVI has become an indirect wholly-owned subsidiary of the Company, and the financial result and position of the Target BVI and its subsidiaries (collectively referred to as the “**Target Group**”) will be consolidated into the consolidated financial statements of the Group. Up to the date of this interim report, the management of the Group is still in the midst of determining the financial effect of the aforesaid acquisition.

- (b) Pursuant to an ordinary resolution passed on 11 October 2013, the authorized share capital of the Company was approved to be increased with effect from 11 October 2013 from HK\$200,000,000 (divided into 2,000,000,000 shares of HK\$0.10 each) to HK\$400,000,000 (divided into 4,000,000,000 shares of HK\$0.10 each) by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.10 each in the share capital of the Company.

Management Discussion & Analysis

OPERATIONAL REVIEW

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

Current Operations

Aohan Qi Mine, Inner Mongolia

The key activities for Aohanqi Xinrui En Industry Co., Ltd. (“Aohanqi”) in 2013 are the construction of the main tunnels for the four vertical access shafts and related exploration and mining operation. By the end of September 2013, the accumulated length of tunneling reached 2,770.64 metres with 420.55 metres of underground drilling, while the ore dressed by the processing plants totaled 26,252 tonnes. Besides, the procedures for approval of the tailing pond and for land requisition were further improved.

To materialize the next stage of the related work, such as exploration and mining, sufficient support of liquidity will be indispensable, as it was disclosed in the 2013 annual report of the Company that Aohanqi needs sufficient liquidity support. Aohanqi has applied to relevant government authorities for an increase of the total investment, in order to address the lack of working capital. However, the application is still pending approvals by the aforesaid authorities up to the date of this interim report. The Company, as a foreign shareholder of Aohanqi, also tried to propose to increase the registered capital of Aohanqi as working capital to the Chinese cooperative shareholder of Aohanqi, but no consent has been given by the Chinese cooperative shareholders regarding such proposal. If Aohanqi could not obtain working capital on a timely basis, it may pose significant and adverse impacts on Aohanqi’s future production and operation activities.

Zhongyi Weiye Heilongjiang Mines, Heilongjiang Province, PRC (“Zhongyi Weiye Heilongjiang”)

The main task of Zhongyi Weiye Heilongjiang for 2013 is to conduct drilling verifications and related assay work based on achievement of previous work. As at the date of this interim report, the related drilling and assay work are in progress. The field work has been completed in November 2013. The report on work results and related information are being compiled.

Proposed Acquisition of Qing Jiao Gold Mine (箐腳金礦)

The proposed acquisition under this project is subject to the approval of the shareholders of the Company (“Shareholders”) (among other conditions). Despatch of circular to Shareholders in connection with such project will be postponed to the end of 2014 as additional time is required for the Company to prepare the information to be contained in the circular, especially the technical report for the Qing Jiao Gold Mine which was originally expected to be available before August 2012. As at the date of this interim report, the Directors expect that the despatch date of the said circular will be further postponed to November 2014. Please refer to the Company’s circular dated 3 September 2013 for further details. The Company keeps contacting the vendor to check the progress of the reorganization (as defined in the Company’s circular dated 3 September 2013) from time to time and making appropriate work arrangements according to its progress.

Management Discussion & Analysis

Micro-Financing Investment and Management Consultation Services

As mentioned in Note 17 on page 20 in this interim report, on 27 September 2012, (a date which falls before the commencement of the six month-period ended 30 September 2013), Favour South Limited (“**Purchaser**”), a wholly-owned subsidiary of the Group, entered into an acquisition agreement (“**Agreement**”) (as supplemented by three supplemental agreements dated 19 November 2012, 19 December 2012 and 23 September 2013 respectively) with Mr. Leung, for the acquisition (“**Acquisition**”) of Treasure Join Limited (“**Target BVI**”) at a total maximum consideration of HK\$850 million. Details of the Acquisition are set out in the circular of the Company (the “**Circular**”) dated 24 September 2013.

The sole assets of the Target BVI are the entire issued capital of (i) Menston Investment Limited (“**Target HK No. 1**”), a company incorporated in Hong Kong, which in turn owned 吉林省瑞信小額貸款有限公司 (Jilin Ruixin Microfinance Co., Ltd. *) (“**Target PRC No. 1**”); and (ii) Dragon Growth Investment Limited (“**Target HK No. 2**”), a company incorporated in Hong Kong, which in turn owned 吉林豐瑞投資管理諮詢有限公司 (Jilin Fengrui Investment Management Consulting Co., Ltd. *) (“**Target PRC No. 2**”).

Target PRC No. 1 has obtained all necessary permits to engage in the business of providing micro-financing and the provision of consultancy services in relation to the business development management and financial affairs of small enterprises in Jilin City.

Target PRC No. 2 has obtained all necessary permits for engaging in the business of providing consulting services in relation to corporate management and financial management.

* For identification purpose only

As all the conditions precedents to completion of the Agreement were fulfilled, the Acquisition was completed on 11 October 2013 (a date which falls after the six month-period ended 30 September 2013). Following such completion, Target BVI has become a wholly-owned subsidiary of the Group. At completion, the tranche 1 payment was settled by the issue to the Vendor of (i) the tranche 1 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\$0.37 per share) in the principal amounts of HK\$75 million; (ii) a five-year 1.5% per annum promissory note in the principal amount of HK\$150 million and (iii) as to HK\$200 million by applying the deposit (which was paid upon the signing of the Agreement) to satisfy the payment of the amount.

On 13 November 2013, the Company issued an announcement that the Company had received the Turnover Certificate (as defined in the Circular) from its auditors that the audited turnover of the PRC Subsidiaries (as defined in the Circular) arising from the Target Business (as defined in the Circular) (exclusive of any value added tax and business tax) for the T2 Period (as defined in the Circular) was approximately RMB9,480,000, which exceeded by about 26.4% over the minimum threshold of RMB7.5 million under the T2 Payment Condition (as defined in the Circular). The Company made an application to the Stock Exchange, which granted a conditional approval for the listing of, and permission to deal in, the conversion shares which may be issued upon the exercise of the conversion rights attaching to the tranche 2 convertible bonds, subject to fulfillment of all conditions, of the T2 Payment Condition.

On 22 November 2013, the Company issued an announcement regarding that upon the granting of the conditional listing approval on 18 November 2013 by the Stock Exchange for the listing of, and permission to deal in the conversion shares which may be issued upon the exercise of the conversion rights attaching to the tranche 2 convertible bonds, all the T2 Payment Condition were fulfilled on 18 November 2013, and the tranche 2 convertible bonds in the sum of HK\$120 million and a five-year 1% per annum promissory note in the principal amount of HK\$50 million had been issued to the Vendor on 22 November 2013.

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 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. The Agreement was approved by independent shareholders at the extraordinary general meeting of the Company held on 11 October 2013.

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

Other Opportunities

On 19 August 2013, the Company entered into a memorandum of understanding with an independent third party in relation to a possible acquisition, details of which were set out in the announcement of the Company dated 19 August 2013. The Company engaged a related professional consulting company in the PRC, which advised the Company in relation to conducting preliminary field work on the PRC company (as defined in the Company's announcement dated 19 August 2013) with the officers of the Company. At the same time, the Company discussed with the shareholders of the target company, Hong Kong Rich Power Development Limited, on such acquisition from time to time, in order to prepare for financing with the completion of such acquisition.

Development from the end of the Reporting Period

Proposed Capital Reduction

The Company issued a circular dated 18 November 2013 regarding, among others, the proposed capital reduction of the Company by cancelling the issued and paid up share capital to the extent of HK\$0.09 on each of the issued ordinary shares with par value of HK\$0.1 each of the Company, thereby reducing the nominal value of all the issued shares from HK\$0.1 each to HK\$0.01 each. It is expected that the credit arising from the capital reduction will be applied towards cancelling accumulated loss of the Company after the capital reduction. For further information, please refer to the Company's circular dated 18 November 2013.

Proposed Change of Company Name

The Company issued a circular dated 18 November 2013 regarding, among others, the proposed change of the Company name from "Sino Prosper State Gold Resources Holdings Limited" to "Sino Prosper (Group) Holdings Limited" and to adopt "中盈(集團)控股有限公司" as the dual foreign name of the Company to replace "中盈國金資源控股有限公司" as the Board considers that the change of the Company name may more accurately reflect the principal activities of the Group and provide the Company with a fresh corporate image and identity. For further information, please refer to the Company's circular dated 18 November 2013.

A special resolution regarding the new name of the Company will be proposed and considered to be approved at an extraordinary general meeting of the Company to be held on 11 December 2013.

Resignation and Appointment

On 3 December 2013, the Company announced that Mr. Niu Zhihui has resigned as an independent non-executive Director of the Company and the Chairman of each of the Audit Committee and the Remuneration Committee of the Company with effect from 3 December 2013. The Board further announced the appointment of Ms. Xuan Hong as an independent non-executive Director of the Company and the Chairman of each of the Audit Committee and the Remuneration Committee of the Company with effect from 3 December 2013.

Save as disclosed elsewhere in this interim report, there had been no material events affecting the Group which had occurred since the end of the Reporting Period and up to the date of this interim report.

Outlook

In view of the significant price fluctuations in commodity markets during 2013 and uncertain prospects going forward, the Company is proactively identifying related projects or opportunities in relation to finance, natural gas and precious metals with investment potential in the PRC while consolidating its existing businesses. Meanwhile, the finance business in Hong Kong commenced in the second half of 2012 maintained good momentum, bringing impressive income to the Group. As a result, the Directors of the Group will review the performance of businesses of the Group from time to time, and adjust investment strategy according to the international economic environment and development of the Chinese economy, in order to allocate more resources to those businesses with better profitability.

Management Discussion & Analysis

FINANCIAL REVIEW

For the six months ended 30 September 2013, the Group recorded a total turnover of approximately HK\$27,187,000 (six months ended 30 September 2012: approximately HK\$34,079,000) which mainly comprised a turnover of (i) approximately HK\$20,344,000 from the sales of gold (six months ended 30 September 2012: approximately HK\$23,005,000), (ii) approximately HK\$5,423,000 from the sales of gold concentrates and amalgam (six months ended 30 September 2012: approximately HK\$10,971,000), (iii) approximately HK\$1,420,000 from interest income from loan financing activities (six months ended 30 September 2012: approximately HK\$9,000), and (iv) Nil from sales of silver concentrates (six months ended 30 September 2012: approximately HK\$94,000). For the six months ended 30 September 2013, the total turnover of the Group decreased by approximately 20% as compared to the last corresponding period. Such decrease was mainly attributable to the fall in turnover from (i) the sales of gold concentrates and amalgam of approximately HK\$5,548,000 and (ii) the sales of gold of approximately HK\$2,661,000. For the six months ended 30 September 2013, the Group's loss attributable to owners of the Company was approximately HK\$26,334,000 (six months ended 30 September 2012: approximately HK\$33,113,000). The decrease in the Group's net loss attributable to owners of the Company was mainly due to the more than proportionate decrease in cost of sales by approximately HK\$10,790,000.

As at 30 September 2013, the Group recorded total assets of approximately HK\$2,072,553,000 (as at 31 March 2013: approximately HK\$2,060,810,000), and recorded total liabilities of approximately HK\$69,500,000 (as at 31 March 2013: approximately HK\$72,608,000). The Group's net asset value as at 30 September 2013 increased by 0.75% to approximately HK\$2,003,053,000 as compared to approximately HK\$1,988,202,000 as at 31 March 2013.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2013, the Group had bank balances and cash of approximately HK\$181,493,000 (as at 31 March 2013: approximately HK\$186,499,000). As at 30 September 2013 and 31 March 2013, the Group had no outstanding borrowings. Its gearing ratio calculated as a ratio of net debt to total equity was nil (as at 31 March 2013: nil). As at 30 September 2013, net current assets of the Group totaled approximately HK\$521,673,000 (as at 31 March 2013: approximately HK\$532,995,000) and the current ratio was maintained at a level of approximately 16.2 (as at 31 March 2013: approximately 15.4).

TREASURY POLICIES

The Group does not engage in any interest rates, currency speculation activities, and operates deposit banking accounts with principal bankers in Hong Kong and the PRC. The interest rates of these deposit banking accounts are determined 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 2013 and 30 September 2013, the Group had no significant contingent liabilities.

Management Discussion & Analysis

CAPITAL COMMITMENTS

As at 30 September 2013, the Group had the following significant commitments which were not provided for in the condensed consolidated interim financial statements:

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Contracted but not provided for:		
– Exploration and evaluation expenditure	2,057	714
– Construction expenditure	6,703	6,536
– Purchase of property, plant and equipment	183	168
	8,943	7,418

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency exchange rates is minimal as the Group usually holds 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 generating 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 2013, the Group employed 149 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and the 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.

Management Discussion & Analysis

CORPORATE GOVERNANCE & PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of Directors (“**Board**”), 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 Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save as disclosed in this interim report, the Company was in compliance with the Code for the six months ended 30 September 2013.

Code Provision A.5.1

Pursuant to the Code Provision A.5.1, the Company should establish a nomination committee which should be chaired by the chairman of the Board or an independent non-executive Director. However, the Company has not established a nomination committee but it has formulated the policy statement (the “**Policy Statement**”) regarding nomination of Directors and senior officers. The Company considers that the Policy Statement is an effective mechanism which sets out the Board’s policy on nomination of Directors and senior officers of the Company. The Policy Statement is available at the respective website of the Stock Exchange and the Company.

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, the three independent non-executive Directors of the Company should attend general meetings. However, three independent non-executive Directors were absent

from (i) the extraordinary general meetings of the Company held on 28 June 2013 and 30 September 2013 due to other business commitments; and (ii) the annual general meeting of the Company held on 28 June 2013 due to other business commitments. To ensure compliance with the Code in the future, the Company has arranged and will continue to 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 can attend the general meetings.

Code Provision E.1.2

Pursuant to the Code Provision E.1.2, 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 28 June 2013 due to other business commitments. A Director was present at the annual general meeting to chair the meeting. To ensure compliance with the Code in the future, the Company has arranged and will continue to 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.

Independence of Mr. Cai Wei Lun

Mr. Cai Wei Lun (“**Mr. Cai**”) has been an independent non-executive Director (“**INED**”) of the Company since June 2004. He served on the Board for approximately 9 years, and was due for retirement at the last annual general meeting and was re-elected.

During his service with the Company, Mr. Cai has not received any remuneration, nor exercised any option to subscribe for shares granted by the Company to him.

Management Discussion & Analysis

Having regard to Mr. Cai's ability to provide an independent view to the Company's matters during his years of appointment, notwithstanding his having served the Company as INED for approximately 9 years and the matters mentioned below, the Board considered that Mr. Cai was able to continue to fulfill his role as INED.

The Board noted that (which was also disclosed in the Company's interim report (dated 28 November 2012) for the six months ended 30 September 2012, options ("Options") were granted by the Company to Mr. Cai to subscribe for (i) 340,000 shares in the Company ("Shares") pursuant to the Company's old share option scheme (which was adopted by the Company on 25 April 2002 and terminated on 20 April 2012) ("Old Share Option Scheme") on 8 May 2006; and (ii) 7,700,000 Shares pursuant to the Company's new share option scheme (which was adopted and approved by the Shareholders on 20 April 2012) ("New Share Option Scheme") on 26 April 2012.

The Company noted that Mr. Cai's entitlement to interests in Shares (on the assumption that all the Options had been exercised) would represent about 1.04% of the total number of issued Shares, which exceeds by 0.04% of the 1% guideline for purpose of Note 2 to Rule 3.13(1) of the Listing Rules. The increase in Mr. Cai's entitlement was due to the grant in April 2012 of the Option to subscribe for 7,700,000 Shares as mentioned in item (ii) in the immediately preceding paragraph. The Directors noted that the extent of grant which rendered Mr. Cai to become entitled to more than 1% of the total number of issued Shares at the relevant time was immaterial and was caused by an inadvertent oversight.

In order to rectify the situation, all the above Options were cancelled on 23 May 2013, thus decreasing Mr. Cai's interest of total issued share capital of the Company to nil.

Having considered the factors mentioned above and the guidelines as set out in Rule 3.13 of the Listing Rules, the Directors are of the view that Mr. Cai's independence during the six months ended 30 September 2013 and in the future will not be undermined.

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 of the Reporting Period have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2013, 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 were as follows:—

Management Discussion & Analysis

(i) Interests and Short Positions in Shares of the Company (“Shares”) as at 30 September 2013

Name	Capacity	Number of ordinary shares (Note 1)	Approximate percentage of total issued shares (Note 2)
Executive Director: Leung Ngai Man	Beneficial owner	159,663,000 (L) (Note 3)	19.62%
Notes:		3. These 159,663,000 Shares were attributable to Mr. Leung Ngai Man. Among these shares, (a) 158,863,000 Shares were beneficially owned by Mr. Leung Ngai Man; and (b) 800,000 Shares represented underlying Shares for which Mr. Leung was entitled to subscribe upon exercise of certain options granted to him under the Company’s share option scheme (the “2002 Scheme”).	
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 813,587,497 Shares in issue as at 30 September 2013 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 30 September 2013.		

(ii) Interests and Short Positions in Underlying Shares as at 30 September 2013

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares (Note 1)
Leung Ngai Man	Beneficial owner	800,000 (Note 2)	0.10%
Sung Kin Man	Beneficial owner	7,000,000 (Note 3)	0.86%
Zhang Qingkui	Beneficial owner	7,700,000 (Note 4)	0.95%
Wu Wei Hua	Beneficial owner	8,800,000 (Note 5)	1.08%

Management Discussion & Analysis

Notes:

1. This percentage is calculated on the basis of 813,587,497 Shares in issue as at 30 September 2013 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 30 September 2013.
2. Share options carrying rights to subscribe for 8,000,000 Shares were granted to Mr. Leung Ngai Man on 3 January 2005 pursuant to the 2002 Scheme. Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every 10 of the then existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK\$0.1 per share (the "Share Consolidation"). Every 10 of the then options were consolidated into 1 consolidated option and the exercise prices were adjusted accordingly.
3. Share options carrying rights to subscribe for 10,000,000 and 60,000,000 Shares were granted to Mr. Sung Kin Man on 4 May 2010 and 27 January 2012, respectively pursuant to the 2002 Scheme, which has been adjusted by the Share Consolidation as stated in Note 2 above.
4. Share options carrying rights to subscribe for 7,700,000 Shares were granted to Mr. Zhang Qingkui on 26 April 2012 pursuant to a new share option scheme (the "2012 Scheme") adopted by the Company on 20 April 2012.
5. Share options carrying rights to subscribe for 3,000,000 Shares, 8,000,000 Shares and 60,000,000 Shares were granted to Ms. Wu Wei Hua on 8 May 2006, 4 May 2010 and 27 January 2012, respectively pursuant to the 2002 Scheme, which has been adjusted by the Share Consolidation as stated in Note 2 above.

Share options carrying rights to subscribe for 1,700,000 Shares were granted to Ms. Wu Wei Hua on 24 September 2012 pursuant to the 2012 Scheme.

On 11 October 2013, pursuant to completion of the Agreement, the tranche 1 convertible bonds (which carry, among other rights, the right to convert the convertible bonds into a maximum of 202,702,702 conversion shares of the Company at the initial conversion price of HK\$0.37 per share) in the principal amounts of HK\$75 million was issued to Mr. Leung Ngai Man. On 22 November 2013, pursuant to satisfaction of the T2 Payment Condition, the tranche 2 convertible bonds (which carry, among other rights, the right to convert the convertible bonds into a maximum of 324,324,324 conversion shares of the Company at the initial conversion price of HK\$0.37 per share) in the principal amounts of HK\$120 million was issued to Mr. Leung Ngai Man.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 30 September 2013, none of the Directors or the 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.

Management Discussion & Analysis

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed “Directors’ Interests and Short Positions in Shares” and “Share-based Payment Transactions” of this interim report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in and debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AS AT 30 SEPTEMBER 2013

As at 30 September 2013, the interests or short positions of persons, other than a Director or the chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, and so far as was known to the Directors or the chief executive of the Company, were as follows:

Name of Shareholder	Capacity	Number of ordinary Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Matterhorn Investment Management (Asia) Limited	Investment manager (Note 3)	54,645,300 (L)	6.72%
Somercourt Investments Limited	Nominee for another person (other than a bare trustee) (Note 4)	54,645,300 (L)	6.72%
Somercourt Services	Interest of a controlled corporation	54,645,300 (L)	6.72%
George Robinson	Interest of a controlled corporation	54,645,300 (L)	6.72%

Notes:

- The letter “L” represents the entity’s long position in the Shares of the Company.
- This percentage is calculated on the basis of 813,587,497 Shares in issue as at 30 September 2013 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 30 September 2013.

- Matterhorn Investment Management (Asia) Limited was appointed as non-beneficial discretionary investment manager to Somercourt Investments Limited.
- Somercourt Investments Limited was interested in 54,645,300 Shares of the Company. It was a wholly owned subsidiary of Somercourt Services which in turn was 69.05% controlled by George Robinson.

Management Discussion & Analysis

Save as disclosed above, as at 30 September 2013, 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.

SHARE-BASED PAYMENT TRANSACTIONS

The 2002 Scheme was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to eligible participants. As the 2002 Scheme would expire on 15 May 2012, during the year ended 31 March 2013, the 2002 Scheme was terminated and the 2012 Scheme was adopted by the Company on 20 April 2012. Similar to the 2002 Scheme, the primary purpose of the 2012 Scheme is to provide incentives to eligible participants.

2002 Scheme

Under the 2002 Scheme, the directors of the Company may at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares:

- (i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive directors or proposed non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer or potential customer of the Group or any Invested Entity;
- (v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of their contribution to the development and growth of the Group.

Management Discussion & Analysis

The total number of shares in respect of which options may be granted under the 2002 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.

2012 Scheme

Under the 2012 Scheme, the directors of the Company may at their discretion in accordance with the provisions of the 2012 Scheme and the Listing Rules, to make an offer for the grant of share options to any of the following classes of participants:

- (i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Management Discussion & Analysis

The eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2012 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's shares in issue and with an aggregate value in excess of HK\$5 million must be approved 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 offer date of that share option. The subscription price is at the discretion by the directors of the Company, provided that it 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 quotations sheet for trade on one or more board lots of the shares on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. A nominal

consideration of HK\$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

The 2012 Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options granted. The 2012 Scheme shall be valid and effective for ten years after its adoption date.

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.

Management Discussion & Analysis

The following table discloses movements of the Company's share options granted under the 2002 Scheme and the 2012 Scheme during the six months ended 30 September 2013:

2012 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1/4/2013	Number of share options				Outstanding at 30/9/2013
				Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
26 April 2012	26 April 2012 to 25 April 2015	0.450	15,400,000	-	-	(7,700,000)	-	7,700,000
24 September 2012	24 September 2012 to 23 September 2015	0.335	47,900,000	-	-	-	-	47,900,000
24 May 2013	24 May 2013 to 23 May 2023	0.192	-	14,000,000	(7,000,000)	-	-	7,000,000
8 July 2013	8 July 2013 to 7 July 2023	0.200	-	46,200,000	(30,800,000)	(7,700,000)	-	7,700,000
			63,300,000	60,200,000	(37,800,000)	(15,400,000)	-	70,300,000
Exercisable as at of 30 September 2013								<u>70,300,000</u>
Weighted average exercise price			HK\$0.363	HK\$0.198	HK\$0.199	HK\$0.325	-	HK\$0.319

Under the 2012 Scheme, the options outstanding at 30 September 2013 had weighted average exercise price of HK\$0.319 (31 March 2013: HK\$0.363) and a weighted average remaining contractual life of 3.6 years (31 March 2013: 2.4 years).

The weighted average fair value of options granted under the 2012 Scheme during the six months ended 30 September 2013 was HK\$0.152 (during the six months ended 30 September 2012: HK\$0.17*).

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

37,800,000 share options under the 2012 Scheme have been exercised during the six months ended 30 September 2013. The weighted average share price at the date of exercise for share options exercised during the six months ended 30 September 2013 was HK\$0.182.

Under the 2012 Scheme, the total consideration received during the six months ended 30 September 2013 from grant of share options amounted to HK\$5 (during the six months ended 30 September 2012: HK\$9).

Under the 2012 Scheme, 7,700,000 share options have been cancelled on 23 May 2013 (please refer to page 27 of this interim report for details). Another 7,700,000 share options have been cancelled on 1 August 2013 in response to the request of the grantee.

Management Discussion & Analysis

2002 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Number of share options					Outstanding at 30/9/2013
			Outstanding at 1/4/2013	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
1 November 2004	1 November 2004 to 31 October 2014	4.750*	220,000*	-	-	-	-	220,000*
29 November 2004	29 November 2004 to 28 November 2014	4.600*	300,000*	-	-	-	-	300,000*
3 January 2005	3 January 2005 to 2 January 2015	4.100*	800,000*	-	-	-	-	800,000*
12 January 2005	12 January 2005 to 11 January 2015	4.100*	500,000*	-	-	-	-	500,000*
23 March 2005	23 March 2005 to 22 March 2015	3.400*	400,000*	-	-	-	-	400,000*
8 May 2006	8 May 2006 to 7 May 2016	14.600*	2,640,000*	-	-	(340,000)*	-	2,300,000*
1 September 2006	1 September 2006 to 31 August 2016	7.100*	3,600,000*	-	-	-	-	3,600,000*
4 September 2006	4 September 2006 to 3 September 2016	7.100*	600,000*	-	-	-	-	600,000*
1 June 2007	1 June 2007 to 31 May 2017	4.550*	1,400,000*	-	-	-	-	1,400,000*
14 May 2008	14 May 2008 to 13 May 2018	1.360*	1,200,000*	-	-	-	-	1,200,000*
4 May 2010	4 May 2010 to 3 May 2020	3.000*	4,700,000*	-	-	-	-	4,700,000*
27 January 2012	27 January 2012 to 26 January 2015	0.812*	12,000,000*	-	-	-	-	12,000,000*
			28,360,000*	-	-	(340,000)*	-	28,020,000*
Exercisable at the end of the year								28,020,000*
Weighted average exercise price			HK\$3.855*	-	-	HK\$14.600*	-	HK\$3.725*

Under the 2002 Scheme, the options outstanding at 30 September 2013 had weighted average exercise price of HK\$3.725* (31 March 2013: HK\$3.855*) and a weighted average remaining contractual life of 2.8 years (31 March 2013: 3.3 years).

The weighted average fair value of options granted under the 2002 Scheme during the year was Nil (during the six months ended 30 September 2012: Nil).

No option has been exercised under the 2002 Scheme during the six months ended 30 September 2013. The weighted average share price at the date of exercise for share options exercised during the six months ended 30 September 2013 was Nil.

Options granted are fully vested at the date of grant except for 4,700,000* options granted under the 2002 Scheme on 4 May 2010 which are exercisable in 4 tranches and were fully vested since 3 August 2012.

Management Discussion & Analysis

None of the share options were forfeited and expired under the 2012 Scheme and 2002 Scheme during the six months ended 30 September 2013.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this interim report, during the six months ended 30 September 2013, 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.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed elsewhere in this interim report, there were no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2013.

AUDIT COMMITTEE'S REVIEW

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. Regarding the financial reporting process, the Audit Committee would consider any significant items reflected in the reports and accounts.

The interim results of the Group for the six months ended 30 September 2013 have been reviewed by the Audit Committee.

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

Hong Kong, 10 December 2013

As at the date of this interim report, Mr. Leung Ngai Man, Mr. Sung Kin Man and Mr. Ng Kwok Chu, Winfield are the executive Directors, and Ms. Xuan Hong, Mr. Cai Wei Lun and Mr. Zhang Qingkui are the independent non-executive Directors.