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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 2010

The Board (the “Board”) of Directors (the “Directors”) of Sino Prosper State Gold Resources Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2010 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

For the six month ended 30 September 2010

		Six months ended	
		30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	29,790	14,184
Cost of sales		<u>(29,818)</u>	<u>(13,445)</u>
Gross (loss)/profit		(28)	739
Other income and gains		17,347	584
General and administrative expenses		(24,593)	(7,442)
Loss on early redemption of promissory note		(18,414)	–
Finance costs		<u>(3,561)</u>	<u>–</u>
Loss before tax		(29,249)	(6,119)
Income tax	4	<u>–</u>	<u>–</u>
Loss for the period	5	<u>(29,249)</u>	<u>(6,119)</u>

		Six months ended	
		30 September	
		2010	2009
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Other comprehensive income/(loss)			
	Exchange differences on translating foreign operations	25,475	(279)
	Reclassification adjustments relating to foreign operations disposed of during the period	<u>384</u>	<u>–</u>
	Other comprehensive income/(loss) for the period, net of tax	<u>25,859</u>	<u>(279)</u>
	Total comprehensive loss for the period	<u>(3,390)</u>	<u>(6,398)</u>
Loss attributable to:			
	Owners of the Company	(28,556)	(6,117)
	Non-controlling interests	<u>(693)</u>	<u>(2)</u>
		<u>(29,249)</u>	<u>(6,119)</u>
Total comprehensive loss attributable to:			
	Owners of the Company	(8,560)	(6,429)
	Non-controlling interests	<u>5,170</u>	<u>31</u>
		<u>(3,390)</u>	<u>(6,398)</u>
Loss per share			
	Basic and diluted (HK cents per share)	<u>(0.49)</u>	<u>(0.38)</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKAS and Interpretations and Hong Kong Financial Reporting Standards (collectively, the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with HKFRSs.

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

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

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

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

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

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

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

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

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

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

2. REVENUE

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

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

3. SEGMENT INFORMATION

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

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

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

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

Revenue from major products and services

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

4. INCOME TAX

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both periods). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for PRC Enterprise Income Tax has been made as there were no assessable profits generated from the Group's PRC operations during the six months ended 30 September 2009 and 2010.

5. LOSS FOR THE PERIOD

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

8. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) <i>HK'000</i>	Exploration and evaluation assets (Unaudited) <i>HK'000</i>	Mining rights (Unaudited) <i>HK'000</i>
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	20,166	3,932
	<u>31,520</u>	<u>1,041,257</u>	<u>310,516</u>
Six months ended 30 September 2009			
Net book amount at 1 April 2009	733	–	–
Additions	1,513	–	–
Acquired on acquisition of subsidiaries	–	634,707	–
Depreciation expense	(130)	–	–
Effect of foreign currency exchange differences	3	–	–
	<u>2,119</u>	<u>634,707</u>	<u>–</u>

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

	At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
0 – 90 days	<u>–</u>	<u>181</u>

11. CONVERTIBLE BONDS

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

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

12. PROMISSORY NOTE

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

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

13. SHARE CAPITAL

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

Notes:

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

- (ii) During the year ended 31 March 2010, 144,000,000 ordinary shares were issued upon the exercise of a total of 144,000,000 share options at exercise prices ranging from HK\$0.05 to HK\$0.15 per share, giving rise to aggregate net proceeds of HK\$16,200,000.
- (iii) During the year ended 31 March 2010, 608,400,000 ordinary shares of HK\$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.075 per share.
- (iv) Pursuant to the placing agreement dated 12 March 2010 (as amended by a supplemental placing agreement dated 23 March 2010), the Company allotted and issued a total of 2,888,000,000 new shares at a subscription price of HK\$0.19 each to not less than six places on 7 May 2010. In accordance with the terms of the placing agreement, Mr. Leung and Climax Park Limited (a company solely owned by Mr. Leung) have delivered a deed of lock-up undertakings to the placing agent on the terms and conditions as summarized in the Company's circular dated 26 March 2010 (see the section headed "Letter from the Board – The Placing Agreement – Lock-up Undertakings" in that circular). The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK\$529.0 million. As at 30 September 2010, the net proceeds were mainly used for the following purposes: (i) approximately HK\$167,045,000 (equivalent to approximately RMB147,000,000) for the Inner Mongolia Acquisition, of which RMB8,000,000 was contributed to 敖漢旗鑫瑞恩礦業有限責任公司 (the "PRC Company") as registered capital for the construction of the processing facilities and the exploration work; (ii) approximately HK\$32,175,000 (equivalent to approximately RMB28,000,000) for the payment of the registered capital of the PRC Company, which was applied to the construction of the processing facilities and the exploration work; (iii) approximately RMB24,000,000 for the acquisition of the 27% equity interest in 黑龍江中誼偉業經貿有限公司 ("Zhongyi Weiye"); and (iv) approximately HK\$10,350,000 (equivalent to approximately RMB9,030,000) for the payment of the registered capital of Zhongyi Weiye and the exploration work. The balance of the net proceeds is currently planned to be used for the general working capital of the Group and to finance any possible acquisition plan of the Group in the future.
- (v) During the six months ended 30 September 2010, 1,209,781,813 ordinary shares of HK\$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.075 per share.

14. CAPITAL COMMITMENTS

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

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

15. OPERATING LEASE COMMITMENTS

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

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

16. 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 2010:

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

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

17. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisition of subsidiaries

Current period

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

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

	Fair value <i>HK\$'000</i>
Mining rights	306,584
Deferred tax liabilities	(76,497)
Property, plant and equipment	16,013
Bank balances and cash	555
Prepayments, deposits and other receivables	6,848
Accruals and other payables	(6,554)
Due to a minority shareholder	(19,927)
Due to a shareholder	(3,123)
Non-controlling interests	<u>(67,886)</u>
	<u>156,013</u>
Total consideration satisfied by:	
Cash consideration	159,136
Acquisition of shareholder's loan	<u>(3,123)</u>
	<u>156,013</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	159,136
Bank balances and cash acquired	<u>(555)</u>
	<u>158,581</u>

Prior period

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

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

(b) Acquisition of additional interest in a subsidiary

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

	At 30 September 2010 (Unaudited) HK\$'000
Carrying amount of non-controlling interests acquired	277,504
Consideration paid to non-controlling interests	<u>(27,566)</u>
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	<u><u>249,938</u></u>
Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the six months ended 30 September 2010:	
	Six months ended 30 September 2010 (Unaudited) HK\$'000
Total comprehensive loss for the period attributable to owners of the Company	(8,560)
Effect of transactions with non-controlling interests on changes in equity attributable to owners of the Company	<u>249,938</u>
	<u><u>241,378</u></u>

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

18. DISPOSAL OF SUBSIDIARIES

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

Effect of disposal on the financial position of the Group:

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

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

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

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

OPERATIONAL REVIEW

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

Current Operations

Investment in Gold Mine Project in Inner Mongolia, the PRC

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

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

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

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

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

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

1: *Ore Processing Plant and Accessory Facilities*

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

2: *Refining and Smelting Facility*

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

3: *Expansion of Mining System*

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

4: *Exploration of AoHanQi*

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

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

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

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

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

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

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

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

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

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

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

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

CNPC Sino Prosper Petroleum and Gas Company Ltd (“CNPC”)

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

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

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

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

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

Future Direction

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

FINANCIAL REVIEW

For the six months ended 30 September 2010, the Group recorded total turnover of approximately HK\$29,790,000 which comprises a turnover of (i) approximately HK\$2,090,000 from the sale of fuel oil and chemicals (six months ended 30 September 2009: approximately HK\$11,438,000); and (ii) approximately HK\$27,700,000 from the sale of gold (six months ended 30 September 2009: HK\$2,746,000). Total Group turnover increased by approximately 110% as compared to last period. Such increase was mainly attributable to the increase in turnover from the sale of gold. For the six months ended 30 September 2010, the Group’s net loss attributable to shareholders was approximately

HK\$28,556,000 (six months ended 30 September 2009: approximately HK\$6,117,000). The increase in the Group's net loss attributable to shareholders was mainly due to (i) the loss on early redemption of promissory note of approximately HK\$18,414,000 and (ii) the finance costs on convertible bonds and promissory note of approximately HK\$3,561,000, which are mainly arising from adopting the effective interest rate method on calculating the amortized cost of a debt instrument and of allocating interest expenses and (iii) the increase in general and administrative expenses, as additional manpower was recruited and deployed to develop the Group's precious metal business.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

- (i) 1,209,781,813 ordinary shares were issued upon the conversion of convertible bonds at the conversion price of HK\$0.075 per share, giving rise to an aggregate net proceeds of approximately HK\$90.7 million.
- (ii) 2,888,000,000 ordinary shares were issued by way of placing of new shares pursuant to a placing agreement dated 12 March 2010 (as amended by a supplemental placing agreement dated 23 March 2010) entered into between the Company and Samsung Securities (Asia) Limited ("the Placing Agent"), whereby the Placing Agent has agreed to place on a best effort basis, up to 3,600 million ordinary shares to not less than six places at the final issue price of HK\$0.19 per share, giving rise to an aggregate proceeds of approximately HK\$548.7 million. The net proceeds (after the deduction of the placing commission and other relevant expenses) amounted to approximately HK\$529.0 million. As at 30 September 2010, the net proceeds were mainly used for the following purposes: (i) approximately HK\$167,045,000 (equivalent to approximately RMB147,000,000) for the Inner Mongolia Acquisition, of which RMB8,000,000 was contributed to the PRC Company as registered capital for the construction of the processing facilities and the exploration work; (ii) approximately HK\$32,175,000 (equivalent to approximately RMB28,000,000) for the payment of the registered capital of the PRC Company, which was applied to the construction of the processing facilities and the exploration work; (iii) approximately RMB24,000,000 for the acquisition of the 27% equity interest in Zhongyi Weiye; and (iv) approximately HK\$10,350,000 (equivalent to approximately RMB9,030,000) for the payment of the registered capital of Zhongyi Weiye and the exploration work. The balance of the net proceeds is currently planned to be used for the general working capital of the Group and to finance any possible acquisition plan of the Group in the future.

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

TREASURY POLICIES

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

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

FOREIGN EXCHANGE EXPOSURE

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2010, the Group employed 255 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market salaries. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE PRACTICES

Save and except as hereinafter mentioned, the Company was in compliance with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2010:

Code Provision E.1.2

Pursuant to Code Provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting held on 30 August 2010 in order to attend to other matters. A Director was present at the annual general meeting to chair the meeting. To ensure compliance with the Code, the Company will arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors (including the Chairman of the Board) can attend the annual general meeting.

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

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

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

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

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

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

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 condensed consolidated results of the Group for the six months ended 30 September 2010 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 2010 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.sinoproper.com>. An interim report for the six months ended 30 September 2010 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, 25 November 2010

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