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## **SINO PROSPER HOLDINGS LIMITED**

### **中盈控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(stock code: 766)

#### **SUBSCRIPTION OF NEW SHARES, MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED INVESTMENT AND RESUMPTION OF TRADING**

##### **SUBSCRIPTION OF NEW SHARES**

On 24 January 2006, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 49,763,158 new Shares at the Subscription Price of HK\$0.80 per Subscription Share.

The Subscription Price represents (i) a premium of approximately 19.40% over the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of approximately 23.08% over the average closing price of approximately HK\$0.65 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to the Last Trading Date; and (iii) a premium of approximately 26.98% over the average closing price of approximately HK\$0.63 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to the Last Trading Date. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The 49,763,158 Subscription Shares represent approximately 5.26% of the existing issued share capital of the Company and approximately 5.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The gross proceeds from the Subscription is approximately HK\$39.8 million. The net proceeds of the Subscription of about HK\$39.4 million will be applied as general working capital of the Group and investment funding to the Group on possible investment projects. As at the date of this announcement, no concrete plans or investment projects have been reached or identified and there is no definite plan as to the allocation of the net proceeds on general working capital or investment funding.

##### **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED INVESTMENT**

The Board is pleased to announce that on 20 January 2006, SPCL, a wholly-owned subsidiary of the Company, entered into the Memorandum of Understanding with Xinjiang Jingxin Mineral in relation to the proposed investment of controlling interest in Xinjiang Jingxin Mineral by SPCL.

Xinjiang Jingxin Mineral is a company incorporated in the PRC and is principally engaged in mining development including coal and bitumen in Xinjiang, the PRC. Xinjiang Jingxin Mineral has obtained the mining resources exploration permit (礦產資源勘查許可證) from The Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) for an exploration right which allows Xinjiang Jingxin Mineral to conduct prospecting activities in the site at Balikun Kazakhstan Autonomous County, Hami District, the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區哈密地區巴里坤哈薩克自治縣) in the PRC with an area of approximately 37.25 square kilometers. The Site (as defined below) is located in Balikun mining district within Hami coal electrochemistry base, which is under The Eleventh Five-Year development plan of the coal mining industry of the Xinjiang Uygur Autonomous Region, the PRC. For exploration of the Site, Xinjiang Jingxin Mineral entered into a contractor agreement with Xinjiang Urumqi Mining, that Xinjiang Urumqi Mining was appointed as the chief contractor to manage and develop the Site with an estimated initial annual output of 1.8 million tones coking coal in the first phase. Coking coal is the principal raw materials used by petrification, iron and steel, and metallurgy enterprises.

**The Board wishes to emphasise that no binding agreement in relation to the Proposed Investment has been entered into as at the date of this announcement. As the Proposed Investment may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Investment will be made by the Company should any of the Formal Agreement has been signed.**

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 2:30 p.m. on 23 December 2005 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 February 2006.

#### **SUBSCRIPTION OF NEW SHARES**

On 24 January 2006, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 49,763,158 new Shares at a Subscription Price of HK\$0.80 per Subscription Share.

#### **The Subscriber**

北京中冶投資有限公司 (Beijing China Metallurgy Investment Limited\*), which together with its associates are independent of and not connected with the Company, the Directors, chief executives and substantial Shareholders and its subsidiaries and their respective associates. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of the Subscriber are third parties independent of the Company and connected persons of the Company under the Listing Rules, and the Subscriber is not connected with Xinjiang Jingxin Mineral.

The Subscriber, being a sizeable state-owned enterprise under China Iron & Steel Association (中國鋼鐵工業協會) (originally known as China Ministry of Metallurgical Industry), is an enterprise which specialises itself in investment in mining resources.

#### **Number of the Subscription Shares**

The 49,763,158 Subscription Shares represent approximately 5.26% of the existing issued share capital of the Company and approximately 5.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

#### **Subscription Price**

The Subscription Price of HK\$0.80 per Subscription Share represents:

- (i) a premium of approximately 19.40% over the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 23.08% over the average closing price of approximately HK\$0.65 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to the Last Trading Date; and
- (iii) a premium of approximately 26.98% over the average closing price of approximately HK\$0.63 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to the Last Trading Date.

The net Subscription Price is approximately HK\$0.79 per Share. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### **Rights**

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distributions made or proposed on or after the date of execution of the Subscription Agreement.

#### **Mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued under the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 22 August 2005, on which date the total number of Shares in issue was 927,000,000. As at the date of this announcement, the Company has not utilised the aforesaid general mandate and the available number of shares that can be issued under the general mandate is 185,400,000 Shares.

### **Conditions of the Subscription**

The Subscription is conditional upon (i) all necessary consents, authorisation, licences and approval for or in connection with the Subscription, including but not limited to the approval of the supervising entity of the Subscriber and the relevant PRC authorities being obtained; and (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

As advised by the PRC legal advisers to the Company, the Subscription requires the following procedures and approvals:

1. report to the Ministry of Commerce of the PRC (中華人民共和國商務部) and ministry of commerce of relevant provinces and the State Administration of Foreign Exchange (國家外匯管理局) and foreign exchange administration department of relevant provinces;
2. obtain approval from or filing with the Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會) or National Development and Reform Commission (國家發展和改革委員會);
3. complete all necessary procedures with the Foreign Exchange Administration Bureau (外匯管理部門) for proof of source of foreign currency and remittance of foreign currency for foreign investment;
4. approval from the Ministry of Commerce of the PRC (中華人民共和國商務部) or Beijing Municipal Bureau of Commerce (北京市商務局); and
5. registration of the property rights of foreign State-owned Assets.

The Subscription may also require approvals from other relevant PRC authorities. In the event that the conditions of the Subscription are not fulfilled within one year after execution of the Subscription Agreement or such other date as may be agreed between the Company and the Subscriber in writing, the Subscription Agreement shall cease and determine and save and except the liability in respect of the earlier breaches of the Subscription Agreement, neither the Company nor the Subscriber shall have any rights and obligations under the Subscription Agreement. As disclosed above, the Subscription by the Subscriber requires approvals from various PRC authorities, which the parties consider may require a considerable time to complete and obtain. Therefore, the Subscriber and the Company consider the long-stop date of one year is reasonable.

The Subscription is independent to the Proposed Investment, and the Subscription Agreement is not conditional to the completion of the Proposed Investment, and vice versa.

### **Completion of the Subscription**

Completion of the Subscription will take place on the third business day after all the conditions of the Subscription are fulfilled (or such other date as may be agreed between the Company and the Subscriber in writing). Further announcement will be made by the Company for any significant progress of the Subscription or upon completion of the Subscription or any conditions of the Subscription that cannot be fulfilled which may lead to the termination of the Subscription.

### **Application for listing**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **Reasons for the Subscription Agreement**

The Group focuses on investments in energy and resources related projects and mining. It established a joint venture in Indonesia to produce and refine marine fuel oil and bitumen on Buton Island, where the world's largest natural bitumen mine is located. The raw materials will be used for power generation and construction of highways in the PRC and other countries. As disclosed in the interim report of the Group for the six months ended 30 September 2005, the Group is actively seeking for resources projects applicable for the economic growth demand in the PRC. By entering into the Subscription Agreement, the Group can raise capital for the Group to further strengthen its financial position. The Subscriber, being a sizeable state-owned enterprise under China Iron & Steel Association (中國鋼鐵工業協會) (originally known as China Ministry of Metallurgical Industry), is one of the few professional investment companies in the iron and steel metallurgical industry in the PRC. As a leading player in this sector of the PRC market, the Subscriber focuses on the investment and development of mining and metallurgy related projects in the domestic and overseas markets in order to cater for the demand for mining resources derived from the domestic iron and steel metallurgy enterprises. The Group considers that the Subscriber has a wide connection in the PRC especially in the resources related industry. By means of the Subscriber's knowledge and connection in the PRC, the Group expects that the introduction of the Subscriber as a strategic investor will be beneficial to the Group in expanding and penetrating its business into the PRC.

The gross proceeds from the Subscription is approximately HK\$39.8 million. The Directors expect that the net proceeds of the Subscription of about HK\$39.4 million will be applied as general working capital of the Group and investment funding to the Group on possible investment projects. As at the date of this announcement, no concrete plans or investment projects have been reached or identified and there is no definite plan as to the allocation of the net proceeds on general working capital or investment funding.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

The following table summaries the fund raising activities of the Group since 1 January 2005:

<b>Date of announcement</b>	<b>Events of proceeds</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use as at the date of this announcement</b>
10 January 2005	Top-up placing	About HK\$44.6 million	General working capital of the Group and investment funding to the Group on possible investment projects	Approximately HK\$17.2 million have been used for general working capital. The remaining HK\$27.4 million remains placed with banks and intends to be used as general working capital for development of the Group's Bitumen mine in Indonesia.
27 July 2005	Placing of non-listed warrants	About HK\$1.6 million	General working capital of the Group	Approximately HK\$0.2 million have been used for general working capital. The remaining HK\$1.4 million remains placed with banks and intends to be used as general working capital of the Group.  The subscription rights attaching to the warrants have not been exercised as at the date of this announcement

Despite of the fact that the net proceeds from previous fund raising activities have not been fully utilised and the Group has available cash resources of about HK\$50 million as at 30 September 2005 as disclosed in its 2005 interim report, the Directors consider the Subscription is beneficial to the Group: (i) given the energy and resources industry is capital and resources demanding, it is desirable to have significantly larger cash reserve to enable the Group to seize investment opportunities which are expected to be energy and resources related projects in the PRC as they arise, and (ii) considering the background of the Subscriber and its connection in the PRC as disclosed above, the Group expects that the introduction of the Subscriber as a strategic investor will be beneficial to the Group in expanding and penetrating its energy and resources businesses into the PRC. As at the date of this announcement, no investment projects have been reached and further announcement will be made by the Company when the use of proceeds is determined.

## Changes of shareholding structure

As at the date of this announcement, the Company has 945,500,000 Shares in issue. The shareholding structure of the Company as a result of the Subscription are as follows:

Name of Shareholder	At the date of this announcement and immediately before completion of the Subscription		Immediately after completion of the Subscription		After completion of the Subscription and assuming full exercise of the subscription rights attaching to the warrants placed by the Company as announced on 27 July 2005	
	<i>No. of Approximate Shares percentage</i>		<i>No. of Approximate Shares percentage</i>		<i>No. of Approximate Shares percentage</i>	
Climax Park Limited ( <i>Note 1</i> )	380,330,000	40.22%	380,330,000	38.22%	380,330,000	32.28%
Mr. Kan Che Kin, Billy Albert ( <i>Note 2</i> )	8,000,000	0.85%	8,000,000	0.80%	191,000,000	16.21%
The Subscriber	–	–	49,763,158	5.00%	49,763,158	4.22%
Other public Shareholders	557,170,000	58.93%	557,170,000	55.98%	557,170,000	47.29%
Total	<u>945,500,000</u>	<u>100.00%</u>	<u>995,263,158</u>	<u>100.00%</u>	<u>1,178,263,158</u>	<u>100.00%</u>

### Notes:

1. These Shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Leung Ngai Man, the Chairman and an executive Director of the Company.
2. Mr. Kan Che Kin, Billy Albert, the subscriber of the warrant placing as announced by the Company on 27 July 2005.

## MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED INVESTMENT

Date : 20 January 2006

- Parties :
- (i) Xinjiang Jingxin Mineral, which together with its associates are independent of and not connected with the Company, the Directors, chief executives and substantial Shareholders and its subsidiaries and their respective associates. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of Xinjiang Jingxin Mineral are third parties independent of the Company and connected persons of the Company under the Listing Rules and Xinjiang Jingxin Mineral is not connected with the Subscriber.
  - (ii) SPCL, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

### Major terms of the Memorandum of Understanding

Under the Memorandum of Understanding, it is proposed that SPCL will invest in Xinjiang Jingxin Mineral so as to obtain the controlling equity interest in the registered capital of Xinjiang Jingxin Mineral. Xinjiang Jingxin Mineral is a company incorporated in the PRC and is principally engaged in mining development including coal and bitumen in Xinjiang, the PRC.

The aggregate consideration payable by SPCL to Xinjiang Jingxin Mineral for the Proposed Investment shall be subject to further negotiation between the parties thereto and shall be determined with reference to the valuation of Xinjiang Jingxin Mineral appraised by a chartered valuer and/or an auditor. SPCL will be responsible for the engagement of the chartered valuer and/or auditor as to the valuation report. It is contemplated that such consideration will be settled in cash and/or issuance of Shares.

The Directors confirm that the due diligence on Xinjiang Jingxin Mineral will be conducted by SPCL as soon as practicable.

Under the Memorandum of Understanding, Xinjiang Jingxin Mineral has agreed that it will not, prior to the expiry of 180 days from the date of the Memorandum of Understanding, negotiate with any third party for the investment of controlling equity interest in Xinjiang Jingxin Mineral.

The Memorandum of Understanding does not constitute legally binding commitment in respect of the Proposed Investment. The Proposed Investment will be subject to the execution and completion of the Formal Agreement and may require the approvals from the Stock Exchange and the Shareholders in the event that the Proposed Investment constitutes any notifiable transaction under the Listing Rules.

The Proposed Investment contemplated under the Memorandum of Understanding is independent to the Subscription, and the Proposed Investment is not conditional to the completion of the Subscription, and vice versa.

### **Reasons for the Proposed Investment**

Xinjiang Jingxin Mineral has obtained the mining resources exploration permit (礦產資源勘查許可證) from The Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) for an exploration right which allows Xinjiang Jingxin Mineral to conduct prospecting activities in the site at Balikun Kazakhstan Autonomous County, Hami District, the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區哈密地區巴里坤哈薩克自治縣) in the PRC with an area of approximately 37.25 square kilometers (the "Site"). The Site is located in the Balikun mining district within Hami coal electrochemistry base, which is under The Eleventh Five-Year development plan of the coal mining industry of the Xinjiang Uygur Autonomous Region, the PRC. For exploration of the Site, Xinjiang Jingxin Mineral entered into a contractor agreement with Xinjiang Urumqi Mining, that Xinjiang Urumqi Mining was appointed as the chief contractor to manage and develop the Site with an estimated initial annual output of 1.8 million tones coking coal in the first phase. Coking coal is the principal raw materials used by petrification, iron and steel, and metallurgy enterprises.

The Company has been seeking various opportunities with an aim to diversify the variety of its business. Given that the great demand for coal mining derived from power generation, iron and steel metallurgy as well as petrochemical industries in the PRC, it is the Directors' intention to further expand its natural exploration (energy) business into this enormous market. The Directors consider that the Proposed Investment is a good investment opportunity by allowing the Group to enhance its participation in the PRC resources market. Therefore, the Directors consider the Proposed Investment will be beneficial to the business of the Group.

The Directors confirm that, if the Company engages valuer or auditors in respect of the Proposed Investment, valuer or auditors which are third parties independent of the Company and connected persons of the Company will be engaged.

**The Board wishes to emphasise that no binding agreement in relation to the Proposed Investment has been entered into as at the date of this announcement. As the Proposed Investment may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Investment will be made by the Company should any of the Formal Agreement has been signed.**

### **GENERAL**

The Group is principally engaged in investment in energy and resources related projects and investment in production of raw materials for power generation and construction of highways in the PRC and other countries.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 2:30 p.m. on 23 December 2005 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 February 2006.

## DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business days”	any day (excluding a Saturday) on which banks generally open for business in Hong Kong
“Company”	Sino Prosper Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Directors”	directors (including the independent non-executive directors) of the Company
“Formal Agreement”	the sale and purchase agreement which may or may not be entered into in relation to the Proposed Investment
“Group”	the Company and its subsidiaries
“Last Trading Date”	23 December 2005, being the last trading day for the Shares prior to this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the memorandum of understanding dated 20 January 2006 entered into between SPCL and Xinjiang Jingxin Mineral setting out the basic understanding in relation to the Proposed Investment
“PRC”	the People’s Republic of China
“Proposed Investment”	the proposed investment of controlling interest in the registered capital of Xinjiang Jingxin Mineral by SPCL, as contemplated under the Memorandum of Understanding
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPCL”	Sino Prosper Coal Mining Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	北京中冶投資有限公司 (Beijing China Metallurgy Investment Limited*), a company incorporated in the PRC with limited liability
“Subscription”	subscription of the Subscription Shares at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 24 January 2006 entered into between the Company and the Subscriber
“Subscription Price”	the subscription price of HK\$0.80 per Subscription Share
“Subscription Shares”	an aggregate of 49,763,158 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Xinjiang Jingxin Mineral”	Xinjiang Jingxin Mineral Development Company Limited (新疆京新礦業發展有限公司), together with its associates are independent of and not connected with the Company, the Directors, chief executives and substantial Shareholders and its subsidiaries and their respective associates

“Xinjiang Urumqi Mining”

Xinjiang Urumqi Mining (Holdings) Limited (新疆烏魯木齊礦業(集團)有限責任公司), together with its associates are independent of and not connected with the Company, the Directors, chief executives and substantial Shareholders and its subsidiaries and their respective associates, and a subsidiary of a state-owned company, Shenhua Group Corporation Limited (神華集團有限責任公司), established in the PRC with limited liability

By order of the Board of  
**Sino Prosper Holdings Limited**  
**Tang Yan Tian**  
*Chief Executive Officer*

\* *for identification purpose only*

Hong Kong, 3 February 2006

*As at the date of this announcement, Mr. Leung Ngai Man, Mr. Yeung Kit, Mr. Wong Wa Tak and Mr. Tang Yan Tian are the executive Directors, and Mr. Chan Sing Fai, Mr. Cai Wei Lun and Mr. Leung Wai Cheung are the independent non-executive Directors.*

Please also refer to the published version of this announcement in International Herald Tribune.