THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Sino Prosper State Gold Resources Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION

Financial adviser

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

MENLO CAPITAL

Menlo Capital Limited

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 15 of this circular. A letter from Menlo Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening an EGM to be held at Units 1702-04, 17/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 24 June 2010 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

7 June 2010

CONTENT

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"2009 Acquisition"	the acquisition of, the amongst others, the entire issued capital in each of Nice Think Group Limited and the Purchaser as well as 65% equity interest in the Target PRC, by the Group from Mr. Leung at a total consideration of RMB360 million (equivalent to HK$409.1 million) pursuant to the terms and conditions of the acquisition agreement entered into between the Group and Mr. Leung dated 17 April 2009
"2010 Acquisition"	(subject to, among other conditions precedent to completion being satisfied, the Shareholders approval at the EGM being obtained) the acquisition by the Company from the Vendors of an aggregate of 27% equity interest in the Target PRC pursuant to the terms and conditions of the 2010 Acquisition Agreement, and the subsequent contribution by the Group to the additional registered capital in the Target PRC of RMB44.3 million after completion of the 2010 Acquisition Agreement
"2010 Acquisition Agreement"	the agreement dated 17 May 2010 and entered into between the Purchaser and the Vendors in respect of the 2010 Acquisition
"Announcement"	the announcement of the Company dated 17 May 2010 in relation to, among others, the 2010 Acquisition
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	Sino Prosper State Gold Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Directors"	directors of the Company

"EGM"	the extraordinary general meeting of the Company to be convened and to be held at Units 1702-04, 17/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. (or thereabout as mentioned in the notice of meeting set out on pages EGM-1 to EGM-2 of this circular) on Thursday, 24 June 2010 to consider and, if thought fit, approve, among other things, the 2010 Acquisition Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the acquisition (to be completed subject to the relevant conditions precedent thereto being satisfied) as announced on 25 January 2010 and the 2010 Acquisition
"First Vendor"	Ms. Gao Liyan (高麗艷), one of the joint venture partners to the Target PRC currently holding 21% equity interest in the Target PRC
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors
"Independent Financial Adviser" or "Menlo Capital"	Menlo Capital Limited, a licensed corporation to carry out business in type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the 2010 Acquisition and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than the Vendors and their respective associates
"Independent Third Party"	a person who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
"JORC"	Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"Latest Practicable Date"	4 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Leung"	Mr. Leung Ngai Man, the Chairman of the Company and an executive Director
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Victor Bright Investment Limited (維嘉投資有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Company and the purchaser named under the 2010 Acquisition Agreement
"Second Vendor"	Mr. Song Yang (宋陽), one of the joint venture partners to the Target PRC currently holding 14% equity interest in the Target PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	existing ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Mine No. 1"	an area of approximately 94.92 sq. km. of mining site located at Paoshouying Dongshan, Hulin City, Heilongjiang Province, the PRC
"Target Mine No. 2"	an area of approximately 83.02 sq. km. of mining site located at the headstream of Dumuhe, Hulin City, Heilongjiang Province, the PRC
"Target Mine No. 3"	an area of approximately 18.37 sq. km. of mining site located at No. 290 Highland, Hulin City, Heilongjiang Province, the PRC
"Target PRC"	黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.), formerly a PRC non-State-owned enterprise and subsequently a sino-foreign equity joint venture enterprise established under the PRC laws on 1 April 2009

"Two New Mines"	two copper and poly-metal mines which are located in Xinancha, Hulin City, Heilongjiang Province, the PRC and Sanchalu, Hulin City, Heilongjiang Province, the PRC, respectively the exploration permits in respect of which were subsequently obtained by the Target PRC after completion of the 2009 Acquisition (brief details of which are mentioned in the Company's announcements dated 12 November 2009)
"Vendors"	the First Vendor and the Second Vendor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq. km."	square kilometres
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.88 to HK$1.0.

* *the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

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)

Executive Directors:
Leung Ngai Man
Sung Kin Man
Yeung Kit
Wong Wa Tak
Ng Kwok Chu, Winfield

Independent non-executive Directors:
Chan Sing Fai
Cai Wei Lun
Leung Wai Cheung

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

Principal place of business in Hong Kong:
Units 1702-04, 17/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

7 June 2010

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in which the Company announced that, on 17 May 2010, the Purchaser and the Vendors entered into the 2010 Acquisition Agreement, pursuant to which the Purchaser has agreed to acquire from the Vendors an aggregate of 27% equity interest in the Target PRC, of which 13% equity interest will be acquired from the First Vendor and 14% equity interest will be acquired from the Second Vendor, subject to and on the conditions and terms of the 2010 Acquisition Agreement. The consideration payable to the Vendors under the 2010 Acquisition Agreement is RMB24 million in aggregate (subject to adjustment), of which RMB11.56 million will be payable to the First Vendor and RMB12.44 million will be payable to the Second Vendor. The consideration will be payable in the form of cash only.

Under the new joint venture agreement to be made, the Purchaser (i.e. the Group) will be solely responsible for the contribution of the additional registered capital of RMB44.3 million or any subsequent increase in additional registered capital in the Target PRC. Given that it is a term of the 2010 Acquisition Agreement for the Purchaser to contribute solely to the increase of registered capital, the committed amount payable by the Group under the 2010 Acquisition would be RMB68.3 million in aggregate (which is equal to the sum of (i) the consideration of RMB24 million which is payable to the Vendors and (ii) the Group's committed contribution to the increase in additional registered capital of RMB44.3 million, which is payable to the Target PRC).

Immediately after completion of the 2010 Acquisition, the Target PRC will be owned as to 92% by the Purchaser and 8% by the First Vendor respectively. It is contemplated that the registered capital of the Target PRC will be further increased, and it may be necessary for the Group to make shareholder's loans to the Target PRC for its operations and expansion plan. Despite such increases by the Group, the profit-sharing ratio of the First Vendor and the Purchaser in the Target PRC will be kept at the proportion of 8% and 92% respectively. For details, please refer to paragraph headed "Letter from the Board – Assets to be acquired" in this circular.

The purpose of this circular is to provide you, (i) further details in respect of the 2010 Acquisition Agreement and the transactions contemplated by it; (ii) the recommendation of the Independent Board Committee to the independent Shareholders in relation to the 2010 Acquisition Agreement and the transactions contemplated by it; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2010 Acquisition Agreement and the transactions contemplated by it; and (iv) the notice of the EGM.

THE ACQUISITION AGREEMENT

Date:	17 May 2010 (after trading hours)
Parties:	
Purchaser:	Victor Bright Investment Limited (維嘉投資有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Company
Vendor:	the First Vendor and the Second Vendor As at the Latest Practicable Date, each of the First Vendor and the Second Vendor is the legal and beneficial owner holding 21% and 14% equity interest respectively in the Target PRC. As each of the Vendors is a substantial shareholder of the Target PRC, which is currently a 65% indirect held subsidiary of the Company, each of the Vendors is thus a connected person of the Company.

Other than being (i) joint venture partners to Mr Leung Ngai Man, the Chairman and an executive director of the Company, in respect of the Target PRC prior to the 2009 Acquisition and (ii) the current substantial shareholders of the Target PRC, each of the Vendors is an Independent Third Party.

The original investment costs of the First Vendor and the Second Vendor was RMB300,000 and RMB200,000 respectively, representing the amount of registered capital contributed by each of them in the Target PRC.

Assets to be acquired

Pursuant to the 2010 Acquisition Agreement, the Purchaser has agreed to acquire from the Vendors an aggregate of 27% equity interest in the Target PRC, of which 13% equity interest will be acquired from the First Vendor and 14% equity interest will be acquired from the Second Vendor, subject to and on the conditions and terms of the 2010 Acquisition Agreement.

Immediately after completion of the 2010 Acquisition, the Target PRC will be owned as to 92% by the Purchaser and 8% by the First Vendor respectively. In addition, the board of directors of the Target PRC will comprise five directors, of which 4 will be nominated by the Group and 1 will be nominated by the First Vendor.

Currently, the registered capital and the total investment of Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.20 million) respectively. Under the new joint venture agreement to be made between the Purchaser and the First Vendor immediately after completion of the 2010 Acquisition Agreement, the registered capital of Target PRC will be increased to RMB50 million (equivalent to approximately HK$56.8 million) and the investment amount will be increased to RMB100 million (equivalent to approximately HK$113.6 million). At the time when negotiating the Consideration and other terms of the 2010 Acquisition, the First Vendor pointed out that if further investment from the First Vendor had been required after the 2010 Acquisition, the Consideration would have to be adjusted to a greater extent because of future investment costs to be made by the First Vendor. After various negotiations between the First Vendor and the Purchaser, the parties to the 2010 Acquisition Agreement agreed to fix the Consideration at RMB24 million in total, while the Purchaser (i.e. the Group) would be solely responsible for the increase of Target PRC's registered capital after completion of the 2010 Acquisition. As such, under the new joint venture agreement to be made, the Purchaser (i.e. the Group) will be solely responsible for the contribution of the additional registered capital of RMB44.3 million (equivalent to approximately HK$50.3 million) or any subsequent increase in additional registered capital in the Target PRC. Under such circumstances, the additional amount payable by the Purchaser (i.e. the Group) for the First Vendor for the investment in the Target PRC would be 8% of RMB44.3 million, i.e. approximately RMB3.5 million. Despite dilution to the equity interest held by the First Vendor in the Target PRC as a result of the increase of registered capital by the Purchaser after completion of the 2010 Acquisition, it is a term under the 2010 Acquisition Agreement and the said new joint venture agreement to be made between the Purchaser and the First Vendor that, unless otherwise agreed by the joint venture parties to such joint venture agreement, the First Vendor and the Purchaser shall share the attributable profit of the Target PRC in the proportion of 8% and 92% respectively. Consequently, the equity interest held by the Purchaser in Target PRC's registered capital will remain at 92% after the above increase in its registered capital to RMB50 million.

There has not been any contract or undertaking made, which stipulates who will be responsible for paying the difference between the total investment amount of RMB100 million and the registered capital of RMB50 million (after the above increase) in respect of Target PRC. Such difference represents additional investment amount beyond the registered capital of Target PRC, which may be contributed or paid by way of shareholder's loans, internal resources generated from the Target PRC, borrowings by Target PRC from PRC banking or financial institutions, or other manner of financial assistance. If any such contribution is to be made by the Group by way of shareholders' loan or other manner of financial assistance (such as guarantee) from the Group, the Directors currently intend that the extent to be assumed by the Group will be limited to RMB50 million. For the avoidance of doubt, such amount does not represent any obligation or commitment made by the Group.

Consideration and payment

The consideration for the 2010 Acquisition Agreement is RMB24 million (subject to adjustment), of which RMB11.56 million will be payable to the First Vendor and RMB12.44 million will be payable to the Second Vendor in following manner:

(i) an aggregate of RMB19 million will be settled within two months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement, of which RMB9.15 million will be payable to the First Vendor and RMB9.85 million will be payable to the Second Vendor; and

(ii) an aggregate of RMB5 million will be settled within three months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement, of which RMB2.41 million will be payable to the First Vendor and RMB2.59 million will be payable to the Second Vendor.

The above consideration was determined after arm's length negotiation between the Purchaser and the Vendors with reference to, among other factors, (i) the Target PRC is the holder of the exploration permits of five mines in the PRC; (ii) the future prospects of the Target PRC as disclosed in the "Reasons and benefits of the 2010 Acquisition" below; and (iii) the proportion of equity interests acquired by the Purchaser representing only a minority such that no control premium has to be taken into account.

The consideration of RMB24 million may be subject to adjustment for purpose of complying with the applicable PRC laws and regulations. In the event that any valuation of the equity interest of the Target PRC is required by PRC rules and regulations and if such valuation:

(i) is within the band of 90% and 110% of the consideration as stated in the 2010 Acquisition Agreement, the consideration for the 2010 Acquisition will not be subject to any adjustment; or

(ii) represents 110% or more of the consideration as stated in the 2010 Acquisition Agreement, the Purchaser has the right to terminate the 2010 Acquisition Agreement and such termination shall not be considered as any breach of the 2010 Acquisition Agreement. The relevant parties may then further negotiate, re-determine the consideration and re-enter into a new acquisition agreement or a supplemental agreement to the 2010 Acquisition Agreement.

Under the new joint venture agreement to be made, the Purchaser (i.e. the Group) will be solely responsible for the contribution of the additional registered capital of RMB44.3 million or any subsequent increase in additional registered capital in the Target PRC. Given that it is a term of the 2010 Acquisition Agreement for the Purchaser to contribute solely to the increase of registered capital, the committed amount payable by the Group under the 2010 Acquisition would be RMB68.3 million in aggregate (which is equal to the sum of (i) the consideration of RMB24 million payable to the Vendors and (ii) the Group's committed contribution to the Target PRC for the increase in additional registered capital of RMB44.3 million).

Considering the benefits from the 2010 Acquisition as stated below and the addition of (i) the commitment for the increase in registered capital of the Target PRC by the Purchaser to (ii) the consideration payable to the Vendors (which is equal to up to RMB68.3 million in aggregate) still represents a discount to the proportionate (i.e. 27%) valuation of the Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3 as set out in Appendices IA and IB to this circular, the Directors are of the view that total committed amount payable by the Group (including the consideration of RMB24 million and increase of registered capital of RMB44.3 million) is fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions precedent

Completion of the 2010 Acquisition Agreement is subject to the fulfillment of the following conditions:

(i) the passing of the resolution(s) to approve the 2010 Acquisition and the transactions contemplated under the 2010 Acquisition Agreement by the board of directors and the shareholders of the Purchaser (to the extent required by any applicable rules and regulations);

(ii) the Target PRC having obtained the approval from the relevant authority(ies) for the 2010 Acquisition and the related new joint venture contract and articles of association; and

(iii) all necessary consents and approvals required to be obtained in respect of the 2010 Acquisition Agreement and the transactions contemplated thereby.

Completion

The above conditions precedent shall be fulfilled within four months from the date of the 2010 Acquisition Agreement. Within seven business days after the date of fulfillment of the last conditions mentioned above, the parties to the 2010 Acquisition Agreement will procure the Target PRC to complete the filing and registration of transfer of equity interest in respect of the 2010 Acquisition with the relevant PRC authorities.

INFORMATION ON THE TARGET PRC

The Target PRC is a sino-foreign equity joint venture enterprise established under the PRC laws. As disclosed in the announcement of the Company dated 28 April 2009 in relation to the 2009 Acquisition, before the 2009 Acquisition, the original registered capital of Target PRC was RMB500,000, of which RMB300,000 (60%) was contributed by the First Vendor and RMB200,000 (40%) was contributed by the Second Vendor. Subsequently, the Group then acquired 65% equity interest in the Target PRC by acquisition of the Purchaser which had entered into a subscription agreement with the First Vendor and the Second Vendor and which agreed to contribute a total amount (at premium) of RMB5.2 million to obtain 65% equity interest in the Target PRC. Following such increase and the completion of the 2009 Acquisition, the Purchaser became a wholly-owned subsidiary of the Company and the Target PRC was then owned as to 65% by the Purchaser, 21% by the First Vendor and 14% by the Second Vendor. Please refer to the announcement of the Company dated 28 April 2009 for details of the 2009 Acquisition. Subsequent to the 2009 Acquisition and as at the Latest Practicable Date, the registered capital and the total investment of Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.20 million) respectively. The registered capital of the Target PRC of RMB5.7 million was fully paid up as at the date of the 2010 Acquisition Agreement. Immediately after completion of the 2010 Acquisition and without taking account of any increase in the Target PRC's registered capital, the Target PRC will be owned as to 92% by the Purchaser and as to 8% by the First Vendor.

The current permitted business scope of Target PRC includes the wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained.

At the time of the 2009 Acquisition, the Target PRC is the holder of the exploration permits of Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3. The technical report of these three mines is set out in Appendix IV of the circular of the Company dated 31 August 2009. Such circular can be accessed on the website on the "HKEXnews" page of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/sehk/20090828/LTN20090828655.pdf) (English version) or the Company website linked at http://www.hmdatalink.com/PDF/C01140/e00766(56).pdf (English version). As disclosed in the announcements of the Company dated 12 November 2009 and 11 May 2010, the Target PRC obtained on 27 October 2009 additional exploration permits in respect of the Two New Mines. The Two New Mines have an area of approximately 76 sq. km and 92 sq. km respectively. Including the then exploration permits of three mines held by the Target PRC at the time of the 2009 Acquisition, the Target PRC has exploration permits of a total of 5 mines (collectively, the "**HLJ Mines**") with total mining area of approximately 365 sq. km.

Below are the brief particulars of the exploration permits currently held by the Target PRC:

Location of mines	Issue Date	Date of renewal
No. 290 Highland, Hulin City, Heilongjiang Province, the PRC	5 November 2008	5 November 2011
Paoshouying Dongshan, Hulin City, Heilongjiang Province, the PRC	16 April 2008	16 April 2011
Headstream of Dumuhe, Hulin City, Heilongjiang Province, the PRC	16 April 2008	16 April 2011
Xinancha, Hulin City, Heilongjiang Province, the PRC	17 August 2009	17 August 2012
Sanchalu, Hulin City, Heilongjiang Province, the PRC	17 August 2009	17 August 2012

According to the audited financial statements of Target PRC as set out in circular of the Company dated 31 August 2009 in relation to the 2009 Acquisition (without taking account of the Two New Mines), the audited net loss of Target PRC for the period from 15 February 2007 (being its establishment date) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009 was HK$16,650, HK$91,173 and HK$88,102 respectively. The audited net assets of the Target PRC (without taking account of the Two New Mines) as at 31 March 2009 was HK$369,399.

Update information on HLJ Mines

Before September 2009, certain drilling works had been conducted on each of the Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3, but such drilling was not yet in compliance with the international standards such as the JORC Code. Subsequently, the Group appointed Heilongjiang Jinshi Geology and Mining Co Limited (黑龍江金石地質礦業有限責任公司) to conduct simple geological testing and preliminary sampling on each of the three mines for the purpose identifying areas where mineral resources may be more concentrated, which data will be used to lay the foundation for planning and designing further exploration programmes to be carried out in 2010. During the period commencing from around October each year and ending in around April the next year, Heilongjiang is in extreme cold and frozen conditions, and it is very difficult to carry out outdoor geological survey or exploration works. The Group appointed Heilongjiang Jinshi Geology and Mining Co Limited (黑龍江金石地質礦業有限責任公司) to design and plan a detail geological exploration programmes, with an initial focus on three of the most highly perspective exploration tenements and with the purpose to complete an exploration report which is in compliance with the JORC Code. This initial design plan was completed in March 2010. As such, on-site exploration works have been scheduled to start in May 2010. These exploration works include 1:10000 geochemical, 1:10000 precise magnetic analysis; 1:10000 induced polarization; country rock spectral analysis and exploratory trench design and planning and drilling. Heilongjiang Jinshi Geology and Mining Co Limited (黑龍江金石地質礦業有限責任公司) will also be responsible for the exploration works of these three mines. For the reasons mentioned above, there is no significant progress on the exploration works since September 2009 to present, and the above-mentioned exploration works are expected to be completed by the end of 2010.

In October 2009, the Target PRC obtained additional exploration permits in respect of the Two New Mines. The Two New Mines have an aggregate mining area of approximately 168.4 sq. km. In the same month, the Target PRC appointed Heilongjiang Suihuajinbo Geology Mining Co Ltd (黑龍江綏化金博地質礦業有限責任公司) to conduct and complete certain simple geological testing and water analysis on these two tenements, for the purpose identifying specific areas where mineral resources may be more concentrated, which data will be used to lay the foundation for planning and designing further exploration programmes to be carried out in 2010. As explained in the preceding paragraph, it is very difficult to carry out outdoor geological survey or exploration works during the last quarter and the first quarter of each year. The Group appointed Heilongjiang Suihuajinbo Geology Mining Co Ltd (黑龍江綏化金博地質礦業有限責任公司) to design and plan a detailed exploration programme on each of the Two New Mines with the purpose to complete an exploration report which will be in compliance with the JORC Code. Such design plan was completed in March 2010. On-site survey and exploration works is scheduled to commence in May 2010, and the exploration works will include 1:10000 geochemical, 1:10000 precise magnetic analysis; 1:10000 induced polarization; country rock spectral analysis and exploratory trench design and planning and drilling. Heilongjiang Suihuajinbo Geology Mining Co Ltd (黑龍江綏化金博地質礦業有限責任公司) will also be responsible for the exploration works of these two mines. For the reasons mentioned above, there has not been any significant progress on the exploration works concerning the Two New Mines, and such exploration works are expected to be completed by the end of 2010.

So far, the geological works on the HLJ Mines were carried out under PRC exploration standards to prepare for the application for exploitation permit. Future geological works are expected to be conducted with reference to the JORC Code and an exploration report which comply with JORC is expected to be available by the end of 2010.

REASONS FOR AND BENEFITS OF THE 2010 ACQUISITION

The Group is principally engaged in investment in energy, precious metals and resources-related projects in the PRC. The 2009 Acquisition as detailed in the announcement and the circular of the Company dated 28 April 2009 and 31 August 2009 respectively was completed.

The Target PRC has become an indirect non-wholly-owned subsidiary of the Company after completion of the 2009 Acquisition. As the mines which the Target PRC have the rights to explore are estimated to have potential resources of precious metal, the Directors consider the business potential of the Target PRC is prosperous and the further acquisition of the Target PRC will enhance the profitability of the Group. The Target PRC is carrying out exploration works on the HLJ Mines. With the market potential of the Target PRC, the Company considers that the 2010 Acquisition will provide a good opportunity for the Company to expand the Group's resources-related projects.

The Directors believe that the 2010 Acquisition is in line with the business expansion policy of the Company, and the Directors expect that the 2010 Acquisition will result in a higher return of profit for the resources-related business of the Group.

The 2010 Acquisition (including the subsequent contribution of the additional registered capital by the Group) will be funded by the Group's internal resources and the proceeds arising from the placing as mentioned in the Company's announcement dated 12 March 2010. Taking into consideration of the benefits of the 2010 Acquisition, the Board is of the opinion that the terms of the 2010 Acquisition are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATION

Given that each of the Vendors is currently a substantial shareholder of the Target PRC (a non wholly-owned subsidiary of the Company) holding 21% and 14% of the equity interests of the Target PRC respectively, each of the Vendors is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. The 2010 Acquisition therefore constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. Pursuant to Chapter 14 and 14A of the Listing Rules, the 2010 Acquisition is subject to the reporting, announcement and Shareholders approval requirements.

The Independent Board Committee has been established to consider the 2010 Acquisition and to advise the Independent Shareholders in relation to the terms of the 2010 Acquisition and on how to vote. Menlo Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the 2010 Acquisition. Their respective letters are contained in this circular.

EGM

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders by way of poll for the transactions contemplated under the 2010 Acquisition Agreement. In accordance with the Listing Rules, any vote at the EGM shall be taken by poll. As at the Latest Practicable Date, none of the Directors has a material interest in the 2010 Acquisition, and neither the Vendors nor the Target PRC held any Shares and, so far as the Directors are aware, no Shareholder is required to abstain from voting at the EGM.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the 2010 Acquisition Agreement are on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM to approve the 2010 Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Acquisition and the terms of the 2010 Acquisition Agreement and the transactions contemplated thereunder. Menlo Capital has also been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2010 Acquisition and the terms of 2010 Acquisition Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular, the letter of advice from Menlo Capital to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 29 of this circular and the information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
Sino Prosper State Gold Resources Holdings Limited
Sung Kin Man
Chief Executive Officer & Executive Director

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)

7 June 2010

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular to the Shareholders dated 7 June 2010 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in connection with the 2010 Acquisition, the terms of the 2010 Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the Circular.

Having considered the 2010 Acquisition and the terms of the 2010 Acquisition Agreement and the advice of the Independent Financial Adviser in relation thereto as set out from pages 16 to 29 of the Circular, we consider that the terms of the 2010 Acquisition are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM attached to this circular to approve the 2010 Acquisition, the 2010 Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Chan Sing Fai	**Cai Wei Lun**	**Leung Wai Cheung**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of a letter from Menlo Capital in connection with the advice to the Independent Board Committee and the Independent Shareholders on the 2010 Acquisition, which has been prepared for the purpose of inclusion in this circular:

Menlo Capital Limited
17/F, Asia Standard Tower
Queen's Road Central, Hong Kong

7 June 2010

To the Independent Board Committee and the Independent Shareholders of
Sino Prosper State Gold Resources Holdings Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2010 Acquisition, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 7 June 2010 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The Board announced that on 17 May 2010, pursuant to the 2010 Acquisition Agreement, the Purchaser has agreed to acquire from the Vendors an aggregate of 27% equity interest in the Target PRC, of which 13% equity interest will be acquired from the First Vendor and 14% equity interest will be acquired from the Second Vendor, subject to and on the conditions and terms of the 2010 Acquisition Agreement. The consideration for the 2010 Acquisition is RMB24 million in aggregate (subject to adjustment), of which RMB11.56 million will be payable to the First Vendor and RMB12.44 million will be payable to the Second Vendor. The consideration will be payable in the form of cash only.

Upon completion of the 2010 Acquisition, the Target PRC will be owned as to 92% by the Purchaser and 8% by the First Vendor respectively.

The 2010 Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules. As each of the Vendors is a substantial shareholder of the Target PRC (a non wholly-owned subsidiary of the Company) holding 21% and 14% of the equity interests of the Target PRC respectively, each of the Vendors is a connected person of the Company for the purposes of the Listing Rules, and the 2010 Acquisition also constitutes a connected transaction for the Company under the Listing Rules. Pursuant to the Listing Rules, the 2010 Acquisition is subject to the Shareholders approval requirements.

In formulating our opinion, we have relied on the accuracy of statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and which the Directors consider to be complete and relevant, and have assumed that the statements made were true, accurate and complete at the time they were made and continue to be true on the date of the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. We have taken all reasonable steps pursuant to the Listing Rules which include the following:

(a) obtained the information and documents relevant to an assessment of the fairness and reasonableness of the 2010 Acquisition, including but not limited to, the announcement of the Company dated 17 May 2010, the Board Letter, the circular of the Company dated 31 August 2009 in relation to the 2009 Acquisition, the 2010 Acquisition Agreement, the audited financial statements of the Target PRC for the month ended 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009 as well as the annual reports of the Company for the financial years ended 31 March 2008 and 31 March 2009;

(b) reviewed the performance and financial situation of the Group and the Target PRC as well as the reasons and background of the 2010 Acquisition;

(c) reviewed the terms of the 2010 Acquisition Agreement;

(d) reviewed the fairness, reasonableness and completeness of the assumptions made in the valuation report of Norton Appraisals Limited (the "Valuer"), a business valuer experienced in the valuation of natural resources for the listed companies;

(e) without limiting the generality of paragraph (d) above, in relation to the Valuer providing an opinion or valuation relevant to the 2010 Acquisition:

    (i) interviewed the Valuer including as to its expertise and any current or prior relationships with the Company, other parties to the 2010 Acquisition and connected persons of either the Company or another party to the 2010 Acquisition; and

    (ii) reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Reports, opinion or statement).

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the 2010 Acquisition, we have considered the principal factors and reasons set out below:

I. Background and Reasons for the 2010 Acquisition

The Group has been principally engaged in investment in energy and resources related projects and production of raw materials for power generation and construction of highways in the PRC. The 2009 Acquisition as detailed in the circular of the Company dated 31 August 2009 respectively was completed.

The Target PRC has become an indirect non wholly-owned subsidiary of the Company after completion of the 2009 Acquisition. As the mines which the Target PRC have the rights to explore are estimated to have abundant reserve of resources of precious metal, based on the technical report, the valuation report and the mining schedule prepared by the management of the Company stated in the circular of the Company dated 31 August 2009, we consider the business potential of the Target PRC is prosperous and the further acquisition of the Target PRC will enhance the profitability of the Group and the Directors expect that the 2010 Acquisition will result in a higher return of profit for the resources-related business of the Group.

The Target PRC is carrying out exploration works on the 5 mines (collectively, the "**HLJ Mines**"). With the market potential of the Target PRC, the Company considers that the 2010 Acquisition will provide a good opportunity for the Company to expand the Group's resources-related projects. We are of the view that the 2010 Acquisition is in line with the business expansion policy of the Company.

The 2010 Acquisition (including the subsequent contribution of the additional registered capital and investment amount by the Group) will be funded by the Group's internal resources and the proceedings arising from the placing as mentioned in the Company's announcement dated 12 March 2010. After taking into consideration of the benefits of the 2010 Acquisition, we are of the view the 2010 Acquisition is in the interests of the Company and Shareholders as a whole.

Information on the Target PRC

The Target PRC is an equity joint venture established under the PRC laws. Subsequent to the 2009 Acquisition and as at the date of this announcement, the registered capital and the total investment of Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.20 million) respectively. The registered capital of the Target PRC of RMB5.7 million has been fully paid up as at the date of the 2010 Acquisition Agreement. Immediately after completion of the 2010 Acquisition and without taking account of any increase in the Target PRC's registered capital, the Target PRC will be owned as to 92% by the Purchaser and as to 8% by the First Vendor.

The current business scope of Target PRC includes the wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained.

At the time of the 2009 Acquisition, the Target PRC is the holder of the exploration permits of Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3. Details of these three mines are set out in the circular of the Company dated 31 August 2009 in relation to the 2009 Acquisition. As disclosed in the announcements of the Company dated 12 November 2009 and 11 May 2010, the Target PRC obtained on 27 October 2009 additional exploration permits in respect of the Two New Mines. The Two New Mines have an area of approximately 76 sq. km and 92 sq. km respectively. Including the then exploration permits of three mines held by the Target PRC at the time of the 2009 Acquisition, the Target PRC has exploration permits **HLJ Mines** with total mining area of approximately 365 sq. km.

The Group is now undertaking a significant exploration programme with a view to announcing a first JORC compliant resource report by the end of 2010. Due to the addition of the above two new mines, the exploration activities to be carried out in respect of the HLJ Mines by the Target PRC will take more time. Accordingly, the target development of the first mine among the HLJ Mines is expected to fall in 2011 (instead of 2010). At present, there is not any official JORC compliant resource report in respect of the HLJ Mines.

According to the audited financial statements of Target PRC as set out in circular of the Company dated 31 August 2009 in relation to the 2009 Acquisition (without taking account of the Two New Mines), the audited net loss of Target PRC for the period from 15 February 2007 (being its establishment date) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009 was HK$16,650, HK$91,173 and HK$88,102 respectively. The audited net assets of the Target PRC (without taking account of the Two New Mines) as at 31 March 2009 was HK$369,399.

Having considered that the Group is the major shareholder of the Target PRC, we are of the view that the 2010 Acquisition to further increase the shareholding of the Target PRC is in line with the ordinary course of business of the Group.

II. Terms of the 2010 Acquisition

Pursuant to the 2010 Acquisition Agreement, the Purchaser has agreed to acquire from the Vendors an aggregate of 27% equity interest in the Target PRC, of which 13% equity interest will be acquired from the First Vendor and 14% equity interest will be acquired from the Second Vendor:

THE 2010 ACQUISITION AGREEMENT

Date 17 May 2010

Parties

Purchaser:	Victor Bright Investment Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Company
Vendors:	the First Vendor and the Second Vendor

As at the date of this announcement, each of the First Vendor and the Second Vendor is the legal and beneficial owner holding 21% and 14% equity interest respectively in the Target PRC.

As each of the Vendors is a substantial shareholder of the Target PRC, which is currently a 65% indirect held subsidiary of the Company, each of the Vendors is thus a connected person of the Company.

Other than being (i) joint venture partners to Mr Leung Ngai Man, the Chairman and an executive director of the Company, in respect of the Target PRC prior to the 2009 Acquisition and (ii) the current substantial shareholders of the Target PRC, each of the Vendors is an Independent Third Party.

The original investment costs of the First Vendor and the Second Vendor was RMB300,000 and RMB200,000 respectively, representing the amount of registered capital contributed by each of them in the Target PRC.

Assets to be acquired

Pursuant to the 2010 Acquisition Agreement, the Purchaser has agreed to acquire from the Vendors an aggregate of 27% equity interest in the Target PRC, of which 13% equity interest will be acquired from the First Vendor and 14% equity interest will be acquired from the Second Vendor, subject to and on the conditions and terms of the 2010 Acquisition Agreement.

Upon completion of the 2010 Acquisition, the Target PRC will be owned as to 92% by the Purchaser and 8% by the First Vendor respectively. In addition, the board of directors of the Target PRC will comprise five directors, of which 4 will be nominated by the Group and 1 will be nominated by the First Vendor.

Currently, the registered capital and the total investment of Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.20 million) respectively. Under the new joint venture agreement to be made between the Purchaser and the First Vendor immediately after completion of the 2010 Acquisition Agreement, after completion of the 2010 Acquisition, the registered capital of Target PRC will be increased to RMB50 million (equivalent to approximately HK$56.8 million) and the investment amount will be increased to RMB100 million (equivalent to approximately HK$113.6 million).

At the time when negotiating the Consideration and other terms of the 2010 Acquisition, the First Vendor pointed out that if further investment from the First Vendor had been required after the 2010 Acquisition, the Consideration would have to be adjusted to a greater extent because of future investment costs to be made by the First Vendor. After various negotiations between the First Vendor and the Purchaser, the parties to the 2010 Acquisition Agreement agreed to fix the Consideration at RMB24 million in total, while the Purchaser (i.e. the Group) would be solely responsible for the increase of Target PRC's registered capital after completion of the 2010 Acquisition. As such, under the new joint venture agreement to be made, the Purchaser (i.e. the Group) will be solely responsible for the contribution of the additional registered capital of RMB44.3 million (equivalent to approximately HK$50.3 million) or any increase in additional registered capital in the Target PRC. Under such circumstances, the additional amount payable by the Purchaser (i.e. the Group) for the First Vendor for the investment in the Target PRC would be 8% of RMB44.3 million, i.e. approximately RMB3.5 million. Despite dilution to the equity interest held by the First Vendor in the Target PRC as a result of the increase of registered capital by the Purchaser after completion of the 2010 Acquisition, it is a term under the 2010 Acquisition Agreement and the said new joint venture agreement to be made between the Purchaser and the First Vendor that, unless otherwise agreed by the joint venture parties to such joint venture agreement, the First Vendor and the Purchaser shall share the attributable profit of the Target PRC in the proportion of 92% and 8% respectively. Consequently, the equity interest held by the Purchaser in Target PRC's registered capital will remain at 92% after the above increase in its registered capital to RMB50 million.

There has not been any contract or undertaking made, which stipulates who will be responsible for paying the difference between the total investment amount of RMB100 million and the registered capital of RMB50 million (after increase) in respect of Target PRC. Such difference represents additional investment amount beyond the registered capital of Target PRC, which may be contributed or paid by way of shareholder's loans, internal resources generated from the Target PRC, borrowings by Target PRC from PRC banking or financial institutions, or other manner of financial assistance. If any such contribution is to be made by the Group by way of shareholders' loan or other manner of financial assistance (such as guarantee) from the Group, the Directors currently intend that the extent to be assumed by the Group will be limited to RMB50 million. For the avoidance of doubt, such amount does not represent an obligation or commitment made by the Group.

Consideration and Payment

The consideration for the 2010 Acquisition is RMB24 million (subject to adjustment), of which RMB11.56 million will be payable to the First Vendor and RMB12.44 million will be payable to the Second Vendor in following manner:

(i) an aggregate of RMB19 million will be settled within two months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement, of which RMB9.15 million will be payable to the First Vendor and RMB9.85 million will be payable to the Second Vendor; and

(ii) an aggregate of RMB5 million will be settled within three months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement, of which RMB2.41 million will be payable to the First Vendor and RMB2.59 million will be payable to the Second Vendor.

The consideration for the 2010 Acquisition was determined after an arm's length negotiation between the Purchaser and the Vendors with reference to, among other factors, (i) the Target PRC is the holder of the exploration permits of five mines in the PRC; (ii) the future prospects of the Target PRC; and (iii) the proportion of equity interests acquired by the Purchaser representing only a minority such that no control premium has to be taken into account.

The consideration for the 2010 Acquisition may be subject to adjustment for purpose of complying with the applicable PRC laws and regulations. In the event that any valuation of the equity interest of the Target PRC is required by PRC rules and regulations and if such valuation:

(i) is within the band of 90% and 110% of the consideration as stated in the 2010 Acquisition Agreement, the consideration for the 2010 Acquisition will not be subject to any adjustment; or

(ii) represents 110% or more of the consideration as stated in the 2010 Acquisition Agreement, the Purchaser has the right to terminate the 2010 Acquisition Agreement and such termination shall not be considered as any breach of the 2010 Acquisition Agreement. The relevant parties may then further negotiate, re-determine the consideration and re-enter into a new acquisition agreement or a supplemental agreement to the 2010 Acquisition Agreement.

Under the new joint venture agreement to be made, the Purchaser (i.e. the Group) will be solely responsible for the contribution of the additional registered capital of RMB44.3 million or any subsequent increase in additional registered capital in the Target PRC. Given that it is a term of the 2010 Acquisition Agreement for the Purchaser to contribute solely to the increase of registered capital, the committed amount payable by the Group under the 2010 Acquisition would be RMB68.3 million in aggregate which is equal to the sum of (i) the Consideration of RMB24 million and (ii) the Group's committed contribution to the increase in additional registered capital of RMB44.3 million.

Valuation

The Valuer's appraisal conclusions are based on the assumptions stated in the valuation reports prepared by the Valuer and on information, in particular the technical report prepared by SRK Consulting China Limited – an independent qualified mineral technical adviser specialized in providing resources evaluation to the industry and the business plan provided by the management of the Company and its representatives.

Based on the valuation report in respect of 100% equity interest of Target Mine No. 1 and Target Mine No. 2 prepared by Norton Appraisals Limited (the "Valuer"), the text of which is set out in Appendix IA to the Circular, the fair value of 100% equity interest of Target Mine No. 1 and Target Mine No. 2 as at 31 March 2010 ("Date of Appraisal") is RMB826.8 million.

Based on the valuation report in respect of 100% equity interest of Target Mine No. 3 prepared by the Valuer, the text of which is set out in Appendix IB to the Circular (together with the valuation report set out in Appendix IA to the Circular, the "Valuation Reports"), the fair value of 100% equity interest of Target Mine No. 3 as at the Date of Appraisal is RMB257.0 million.

According to the estimation of the feasibility report conducted by Guangzhou Geochemistry Institute of Chinese Academy of Science ("GGICAS") in June 2009, the Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3 (collectively, the "Target Mines") all together have gold prospecting resources of an aggregate amount of approximately 20.88 tonnes, being 5.59 tonnes for Target Mine No. 1, 10.07 tonnes for Target Mine No. 2 and 5.21 tonnes for Target Mine No. 3, respectively.

We have discussed with the Valuer regarding, among other things, the assumptions, bases and methodologies adopted therein. We have reviewed the key assumptions adopted in the Valuation Report and note that the Valuer used a 90% recovery rate on the gold prospecting resources which is quoted from the feasibility report conducted by GGICAS. As advised, most of the actual recovery rate for the similar gold mines in the PRC is more than 90%.

The principal assumptions and bases adopted in the Valuation Reports are set out in Appendices IA and IB of the Circular. We have checked the assumptions and bases with the mining schedule prepared by the management of Target PRC ("Mining Schedule") and found that the assumptions and bases adopted by the valuer in its valuation of the fair value of the Target Mines cohere with the Mining Schedule. As per the Mining Schedule, the mining operations of the Target Mines is estimated to last for up to 5 years with a total production of approximately 18.79 tonnes, being 5.03 tonnes for Target Mine No. 1, 9.06 tonnes for Target Mine No. 2 and 4.69 tonnes for Target Mine No. 3. It is estimated that the mining operations of Target Mine No. 1 and Target Mine No. 2 will be commenced in 2011 and the mining operations of Target Mine No. 3 will be commenced in 2012.

The average production cost per unit over the planned extraction phase is about RMB63 per gram of gold output. The average production cost includes the exploitation costs, direct labour and government resource surcharge. We have discussed with the Company and the Valuer and noted that such production cost was estimated by the chief operation officer of Target PRC who has over 15 years of experience in exploration works and in this regard, we consider the average production cost per unit over the planned extraction phase is fair and reasonable.

As stated in the Valuation Reports, the Valuer has considered three generally accepted approaches, namely market-based approach, asset-based approach and income-based approach in arriving its concluded values of 100% equity interest of Target Mines and had selected the income-based approach after taking into account of the speciality of Target PRC's operation and the industry it is participating. Having considered the three general valuation methodologies, the Valuer believed that the income-based approach would be appropriate and reasonable in the appraisal for the market value of the Target Mines. According to the Valuation Reports, the market-based approach is not appropriate as there are insufficient relevant comparable transactions to form reliable basis for the valuation. The cost-based approach is not appropriate as it ignores the economic benefits of the business. Therefore, the Valuer has relied solely on the income-based approach in determining opinion of the value of the Target Mines.

According to the Valuation Reports, the income-based approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income-based approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

We have discussed with the Valuer regarding the basis for estimating the net cash flow ("Net Cash Flow") from the business of the Target Mines and the determination of the discount rate adopted under the discounted cash flow method adopted in such valuation.

We have been advised that the discount rate applied to the Net Cash Flow is developed through the application of the Capital Asset Pricing Model ("CAPM"). The cost of equity is estimated by using the CAPM taking into account of the risk free rate of return (which is the yield of the US Treasury Bond), the market risk premium (extracted from Bloomberg), country risk premium (extracted from public information), size premium (adopted from 2010 valuation yearbook, issued by Morning Star, Inc., an independent investment research company), pre-operational risk (professional estimation by the valuer) and the beta of 0.86 (which is the industry mean as extracted from the Hong Kong listed companies which principally engaged in gold mining). As per the Mining Schedule, the Company will finance the mining operation by its internal resources, no cost of debts was adopted in the CAPM. In relation to the above data, we have checked with the supporting documents provided by the Valuer and its calculations.

The valuation arrived at by applying the discount rate was further discounted by 30% to reflect the lack of marketability of the investment in Target Mines. According to the Valuer, the lack of marketability discount usually ranges from 3% to 35%. Based on the Valuer's experiences and the nature of the Target Mines, the valuer has adopted 30% discount in its valuation on the Target Mines.

As we are not professionally qualified in appraisal of any assets or business, our work performed in relation to the valuation basis, assumption and methodologies basically comprises reviewing the data provided by the Valuer (which mainly are the public information) and its calculations and procedures used. Based on our review of the Valuation Reports and discussion with the Valuer regarding, among other things, (i) the scope of work and assumptions of the valuation; (ii) the valuation basis, including the Net Cash Flow, the applied methodologies, in particular the discount rate adopted under the discounted cash flow method; and (iii) the due diligence works performed by the Valuer in preparing the Valuation Reports, we consider that the basis, assumptions and methodologies adopted by the Valuer in the Valuation Reports reasonable.

Given the locations of the gold mines, quality of gold mine and cost structure of setting up mining operation are different and the Target Group has not yet commenced operation, we consider it is impracticable to compare the consideration of the 2010 Acquisition with the comparable transactions conducted by the other Hong Kong listed companies or those of companies engaged in business similar to the Target Group.

The 100% equity interest in the Target Mines as at the Date of Appraisal valued at RMB1,083.8 million in aggregate, i.e. RMB826.8 million for Target Mine No. 1 and Target Mine No. 2 and RMB257.0 million for Target Mine No. 3, the 27% equity interest of Target PRC under the 2010 Acquisition would be RMB$292.6 million.

As mentioned above, the Group will also be responsible for (i) the contribution of the additional registered capital by maximum RMB50 million; and (ii) the contribution of the increase of investment amount by maximum RMB50 million. Unless otherwise agreed by the joint venture parties to such joint venture agreement, the First Vendor and the Purchaser shall share the attributable profit of the Target PRC in the proportion of 8% and 92% respectively, despite dilution to the equity interest held by the First Vendor in the Target PRC as a result of the increase of registered capital by the Purchaser after completion of the 2010 Acquisition.

Having considered that (i) the valuation of the 27% equity interest of Target PRC under the 2010 Acquisition being RMB$292.6 million; (ii) the Consideration of being only RMB24 million; (iii) the term of responsible for the contribution of the additional registered and the contribution of the increase of investment by maximum RMB100 million in total by the Group; and together with (iv) the sharing of the attributable profit of the Target PRC First Vendor and the Purchaser in the proportion of 8% and 92% respectively, we are of the view that the Consideration, being accompanied with the solely responsible for the contribution of the registered capital and the increase of investment by the Group is more favourable in terms of amount of consideration per same percentage of shareholding in the Target PRC under the 2009 Acquisition, which is fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Risk Factors

We would like to draw the Independent Shareholders' attention to the facts that there are uncertainties associated with the 2010 Acquisition as stated below.

Estimated level of the gold resources

Based on the estimation of GGICAS, Target Mines have gold prospecting resources of an aggregate amount of approximately 20.88 tonnes, being 5.59 tonnes for Target Mine No. 1, 10.07 tonnes for Target Mine No. 2 and 5.21 tonnes for Target Mine No. 3, respectively.

However, the Target Mines are still in early stage of exploration and resource estimation conducted by GGICAS is a premature estimate. Further exploration work is recommended by SRK Consulting China Limited, the technical adviser of the Company. May the gold resources as stated by GGICAS be not conformed to its estimated level, the economic value of the Target Mines will be adversely affected.

Fluctuations in gold prices

The business and results of operations are susceptible to the cyclical nature of gold trading markets and are vulnerable to fluctuations in gold prices.

Exploration permits and exploitation permits

The exploration permits of the Target PRC on the Target Mines may or may not be successfully renewed in 2011. If any of the said exploration permits is not renewed, the value of the Target PRC could be adversely affected.

Continuous capital investment

The exploitation and production activities will require continuous capital investment. The exploration and production works however may not be completed as planned. The original cost may be exceeded and the intended economic results or commercial viability may not be achieved. Actual capital expenditures for the exploitation and exploration work may significantly exceed the Group's working capital or budgets because of various beyond the Group's control, which in turn may affect the Group's financial condition.

Policies and regulations change, the environmental protection policies and lack of experience in managing mining businesses

Exploration and mining of the mineral resources in the PRC are subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change the relevant laws and regulations or impose additional or more stringent laws or regulations in future. Failure to comply with the relevant laws and regulations in the exploration and mining projects may adversely affect the future development of the Group.

Besides, the failure to comply with existing or future environmental laws and regulations for the exploitation and exploration business will have a material adverse effect on the Group's business, operations, financial condition and results of operations as the Group may be required to take remedial measures.

Given (i) the work program of GGICAS is reviewed by SRK Consulting China Limited, the independent qualified mineral technical adviser of the Company, (ii) expertise of GGICAS in the exploration program; and (iii) the discount of the Consideration to the fair value of the Target Mines, the Directors consider that the current exploration work for the gold resources estimation is acceptable and commercial justifiable for the time being.

After balancing the potential risk factors as stated above and the potential benefits for the 2010 Acquisition, we concur with the Directors' view that the 2010 Acquisition is in the interest of the Company and its Shareholders as a whole.

We are of the view that the Consideration for the 2010 Acquisition, being accompanied with the solely responsible for the contribution of all the registered capital and all the increase of investment by the Group, is more favourable in terms of amount of consideration per same percentage of shareholding in the Target PRC under the 2009 Acquisition. We are also of the view that the consideration of the 2010 Acquisition is fair and reasonable to the Company and the Shareholders.

Conditions Precedent

Completion of the 2010 Acquisition is subject to the fulfillment of the following conditions:

(i) the approval of the resolution(s) in relation to the 2010 Acquisition and the transactions contemplated under the 2010 Acquisition Agreement by the board of directors and the shareholders of the Purchaser (to the extent required by all applicable rules and regulations);

(ii) the Target PRC having obtained the approval from the relevant authority(ies) for the 2010 Acquisition and the related new joint venture contract and articles of association; and

(iii) all necessary consents and approvals required to be obtained in respect of the 2010 Acquisition Agreement and the transactions contemplated thereby.

Completion

The above conditions precedent shall be fulfilled within four months from the date of the 2010 Acquisition Agreement. Within seven business days after the date of fulfillment of the last conditions mentioned above, the parties to the 2010 Acquisition Agreement will procure the Target PRC to complete the filing and registration of transfer of equity interest in respect of the 2010 Acquisition with the relevant PRC authorities.

We have reviewed the terms of the 2010 Acquisition Agreement, including the Consideration and payment, the conditions precedent and the completion of the 2010 Acquisition Agreement. We are of the view that the 2010 Acquisition Agreement is entered on normal commercial terms.

Having considered that the Consideration being fair and reasonable so far as the interests of the Independent Shareholders are concerned and the terms of the 2010 Acquisition Agreement are on normal commercial terms, we are of the view that the 2010 Acquisition is fair and reasonable to the Company and the Shareholders.

III. Financial Effects of the 2010 Acquisition

The Target PRC is currently a 65% indirect held subsidiary of the Company. Upon completion of the 2010 Acquisition, the Target PRC will be owned as to 92% by the Purchaser. The financial effects of the 2010 Acquisition will be as follows:

(i) Earnings

The earnings after minority interests to be generated from the Target PRC will be increase along with the acquiring of further 27% from the Vendors.

(ii) Equity

Based on the unaudited pro forma information of the enlarged Group stated in the circular of the in relation to the 2009 Acquisition. The equity attributable to equity holders of the Company will be improved upon the 2010 Acquisition.

(iii) Liquidity

The consideration for the 2010 Acquisition is RMB24 million in aggregate be payable in the form of cash within three months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement. The 2010 Acquisition will be funded by the Group's internal resources and the proceedings arising from the placing as mentioned in the Company's announcement dated 12 March 2010.

The additional registered capital of RMB44.3 million and the possible investment amount to be increased by approximately RMB91.9 million will also be funded by the Group's internal resources.

OPINION

Having taken into consideration of the above principal factors and reasons, in particular:

1. the 2010 Acquisition is in line with the ordinary course of business of the Group;

2. the 2010 Acquisition of the Property will the further acquisition of the Target PRC will enhance the profitability of the Group, which is in the interest of the Company and the Shareholders as a whole;

3. the 2010 Acquisition Agreement is on normal commercial terms;

4. the consideration for the 2010 Acquisition is fair and reasonable to the Company and the Shareholders; and

5. in relation to the 2010 Acquisition, the impact on the liquidity will be funded by the Group's internal resources and the proceedings arising from the placing.

RECOMMENDATION

We are of the view that the 2010 Acquisition is in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole and that the 2010 Acquisition Agreement is on normal commercial terms and the terms of the 2010 Acquisition Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2010 Acquisition.

Yours faithfully,
For and on behalf of
Menlo Capital Limited

Michael Leung
Executive Director

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the valuation of the Target Mine No. 1 and the Target Mine No. 2. as at 31 March, 2010.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Unit 01, 21/F, Emperor Group Center,
288 Hennessy Road, Wanchai, Hong Kong
Tel: (852) 2810 7337
Fax: (852) 2810 6337

7 June 2010

The Board of Directors
Sino Prosper State Gold Resources Holdings Limited
Units 1702-1704, 17/F., Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

Re : Valuation of two gold mines located at 中華人民共和國黑龍江省虎林市炮手營東山和獨木河上游 (Paoshouying Dongshan and headstream of Dumuhe, Hulin City, Heilongjiang Province, the People's Republic of China)

In accordance with your instructions for us to carry out an appraisal for the market value of two greenfield gold mines located at Paoshouying Dongshan (hereinafter referred to as the "Target Mine No. 1") and headstream of Dumuhe (hereinafter referred to as the "Target Mine No. 2") (hereinafter together referred to as the "Gold Mining Project") of Hulin City, Heilongjiang Province, the People's Republic of China (hereinafter referred to as the "PRC"). It is our understanding that the exploration permits of the Gold Mining Project are currently held by 黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic and Trade Co. Ltd.) (hereinafter referred to as the "Business Enterprise"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value for the Gold Mining Project in its existing state as at 31 March 2010 (hereinafter referred to as the "Date of Appraisal").

This report states the purpose of appraisal and scope of our works, identifies the business appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

This report is being prepared solely for the use of the directors and management of Sino Prosper State Gold Resources Holdings Limited (hereinafter referred to as the "Company") for its inclusion in the circular to its shareholder in relation to the proposed acquisition of further 27% equity interest in the Business Enterprise. In addition, Norton Appraisals Limited (hereinafter referred to as the "Norton Appraisals") acknowledges that this report may be made available to the independent financial adviser of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators.

Norton Appraisals assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information, in particular the Technical Assessment on Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi Gold Projects in Heilongjiang Province, People's Republic of China (31 August, 2009) prepared by SRK Consulting China Limited (hereinafter referred to as "Technical Report") – an independent qualified mineral technical adviser specialized in providing resources evaluation to the industry and the business plan provided by the management of the Company and its representatives (hereinafter referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospects of the gold mining and processing industries in the PRC, and the development, operations and other relevant information of the Gold Mining Project. As part of our analysis, we have reviewed such business plan, financial information, Technical Report and other pertinent data concerning the Gold Mining Project provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Gold Mining Project will approximate those projections in the Technical Report as well as business plan because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the appraisal of the market value of the Gold Mining Project, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 GOLD MINING PROJECT

The Gold Mining Project is wholly owned by the Business Enterprise. The Business Enterprise is a limited liability company (Taiwan-Hong Kong-Macau and local joint venture company) incorporated in the PRC with registered capital of RMB5.7 million. The main scope of business is confined to wholesaling of construction materials, steels, agricultural goods and conduct exploration and prospecting copper and polymetallic mines in restricted areas upon obtaining the exploration permit. It is subject to a Enterprise Legal Person Business License No. 230103100168826 from 15 February, 2007 to 14 February, 2039. The registered address of the Business Enterprise is situated at 哈爾濱市南崗區閩江小區二期11棟4單元6層1號 (No. 1, 6/F., Unit 4, Block 11, Phase 2, Min Jiang Xiao Qu, Nan Gang District, Harbin City).

3.1 Location and Geographic Coordinates

Gold Mining Project is located approximately 320km east of Jiamusi City, the 4th largest cities in Heilongjiang Province, the PRC. Jiamusi airport is serviced by several daily direct flights between Beijing and Jiamusi. The project includes two gold and polymetal exploration tenements. Administratively, the project area is 120km north of Hulin County, Heilongjiang Province. The project area can be easily accessed via highway (60km) from Jiamusi to Jixian, and then a provincial concrete paved road (S307,200km) from Jixian to Raohe County, and short local gravel road (60km) from Raohe to the project site.

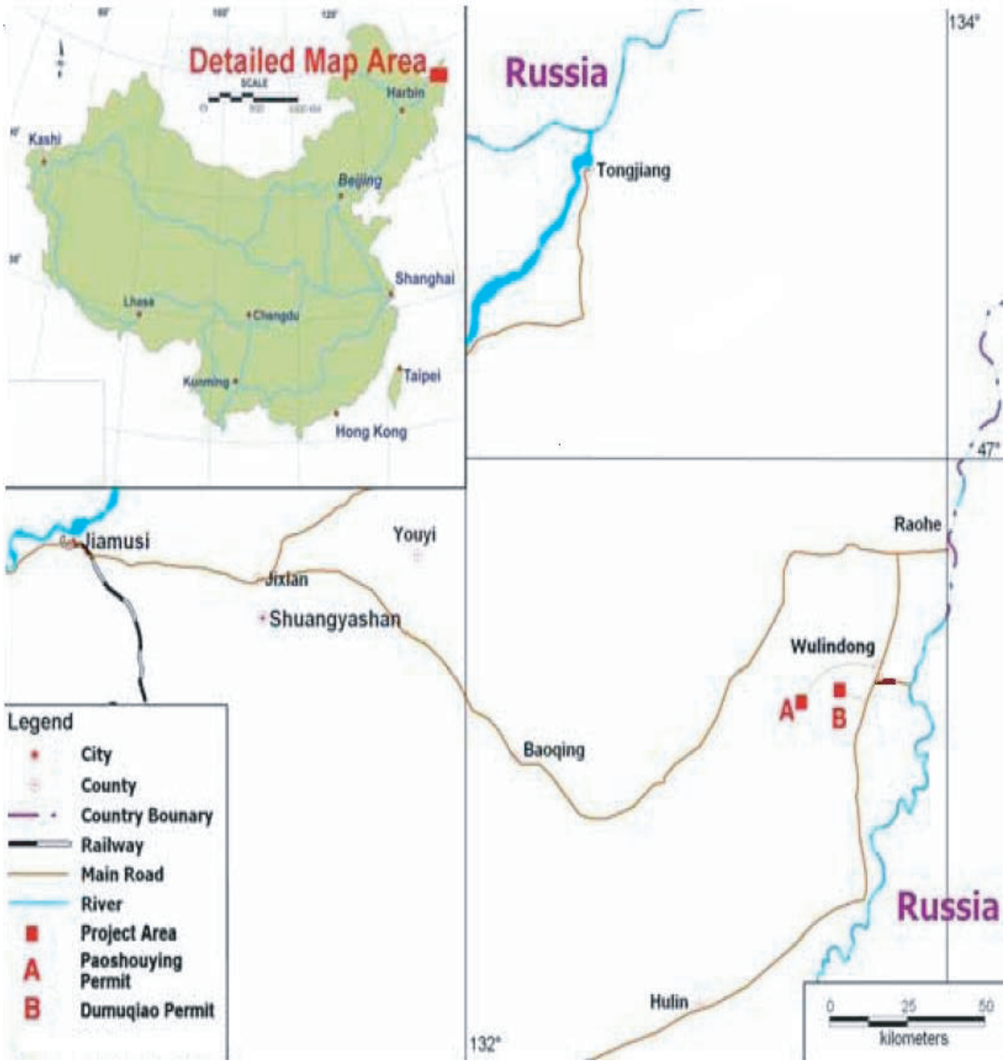

Figure 1 : Location of Gold Mining Project
Source : Technical Report

3.2 Climate and Physiography

Topography of the area is characterized by low-middle hills of average elevations between 250m and 400m above the sea level (ASL) with a relief of 150-300m ASL. The climate of the area is typical continental climate with monsoon. It is hot and rainy in summer and cold and dry in winter. Annual temperature averages around 3.9 degree centigrade (℃) and ranging from -39.3℃ to 37.2℃. The annual average precipitation is about 546 millimetres (mm) mostly occurring from June to September period. Annual average evaporation is 649.7mm. Non-frost season is about 134 days. Vegetation is relatively rich.

3.3 Economy and Infrastructure

In the project area, there is relatively spare population consisting of mainly Han people. Local economy is heavily based on agriculture and forest logging and timber process industries. Main crops are rice, bean, and corn. There are no power grids adjacent to the property area so far. The Northeast Electronic Net and Raohe power station can provide enough electricity to the project area. The water streams flow to the Wusuli River all year round.

3.4 Mineralogy

Gold Mining Project is still in an early stage of exploration. As indicated from the Technical Report, the ore minerals are sulphide minerals of pyrite, chalcopyrite sphalerite and galena, oxidized pyrite showing as limonite, and less native gold. The gangue minerals are quartz, carbonate, chlorite, and other silicate minerals. The ore is characterized by disseminated structure and brecciform texture. The useful elements are gold and possibly other accessory metals.

4.0 EXPLORATION PERMIT

The Business Enterprise has obtained the exploration permits of the Gold Mining Project dated 16 April, 2008 from 中華人民共和國國土資源部 (The Ministry of Land and Resources P.R.C). Target Mine No. 1 is located at Paoshouying Dongshan, Hulin City, Heilongjiang Province, the PRC, and its exploration permit No. is T01120080402000439. Target Mine No. 2 is located at the headstream of Dumuhe, Hulin City, Heilongjiang Province, the PRC and its exploration permit No. is T01120080402000445. The exploration permits of both mines are valid for a period from 16 April, 2008 to 16 April, 2011.

Permit No.	Gold mine	Expiry date	Area (km^2)	Location
T01120080402000439	Target Mine No. 1	16 April, 2011	94.92	Hulin City
T01120080402000445	Target Mine No. 2	16 April, 2011	83.02	Hulin City

Table 1 : Summary of Exploration Permits
Source : Management

4.1 Target Mine No. 1 Exploration Tenement

The area of Target Mine No. 1 exploration tenement is 94.92km². It is defined by 8 coordinates, as shown in Table 2.

Corner	Longitude	Latitude
1	133°21’00”	46°30’00”
2	133°27’00”	46°30’00”
3	133°27’00”	46°23’00”
4	133°20’00”	46°23’00”
5	133°20’00”	46°27’00”
6	133°24’00”	46°27’00”
7	133°24’00”	46°29’00”
8	133°21’00”	46°29’00”

Table 2 : Corner coordinates of Target Mine No. 1
Source : Technical Report

In the Target Mine No. 1, the stratigraphic units from oldest to youngest are: the Middle to Late Triassic Shibashangdi Formation (T_{2-3}sh), consisting of bio-relic silicalite; the Late Triassic Dababeishan Formation (T_3d), composed of argillite, siltstone with interbeded silicalite; the Late Triassic Dajiahe Formation (T_3dj), made up of silicalite with minor slate interlayer; the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d) which consists of mainly sandstone, siltstone, slate with interbeded silicalite, and minor mafic and ultramafic tuff, breccias and lava; and the Quaternary sediments.

4.2 Target Mine No. 2 Exploration Tenement

The area of Target Mine No. 2 exploration tenement is 83.02km². It is defined by 4 coordinates, as shown in Table 3.

Corner	Longitude	Latitude
1	133°29’00”	46°31’00”
2	133°34’00”	46°31’00”
3	133°34’00”	46°24’00”
4	133°29’00”	46°24’00”

Table 3 : Corner coordinates of Target Mine No. 2
Source : Technical Report

In the Target Mine No. 2, the main strata are the Late Triassic Dajiahe Formation (T_3dj). The Late-Middle Triassic Shibagoudi Formation (T_{3-2}sh), the Late Triassic Dababeishan Formation (T_3d) and the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d) are locally distributed. The lithologies of these stratigraphic units are similar to those in the Target Mine No. 1 tenement area. The Early Permian Pikeshan Formation (λ π K1p) consists of felsic volcanics including dacite, rhyolite, and tuff breccia, distributed in the southeast corner of the permit area.

5.0 RESOURCES ESTIMATION

According to the feasibility report conducted by 中國科學院廣州地球化學研究所 (Guangzhou Geochemistry Institute of Chinese Academy of Science) (hereinafter referred to as the "GGICAS") dated 6 June, 2009, the gold results of surface samples collected from Target Mine No. 1 and Target Mine No. 2 implied that there are gold potential in these mining areas. At the Target Mine No. 1, the gradings of gold range from 0.10g/ton to 0.81g/ton, with an average and median grading of 0.51g/ton and 0.55g/ton respectively. For Target Mine No. 2, the gradings of gold range from 0.27g/ton to 0.88g/ton, with both average and median grading of 0.62g/ton. Target Mine No. 1 and Target Mine No. 2, therefore, have prospecting gold resources of 5.59 tons and 10.07 tons respectively.

6.0 INTERNATIONAL GOLD MARKET

6.1 Overview of International Gold Market

For centuries, gold has been valued as a global currency, a commodity and an investment. It also remains a popular and viable method of preserving and growing wealth during economic downturns as well as periods of prosperity.

At 2009, the global above-ground stock of gold is approximately 167,000 tons, according to the statistics from World Gold Council (WGC). Half of the world's gold stock is in jewellery while the rest is held by national banks and private investors, or used for industrial purposes. The majority of annual gold demand is met by mine production, recycling of gold mined in previous years and net sales by central banks. The price of gold is determined based on over-the-counter transactions and global trading on a number of exchanges. Major exchanges include New York Mercantile Exchange (NYMEX), the London Bullion Market, Tokyo Commodity Exchange (TOCOM), and the Shanghai Gold Exchange (SGE) in the People's Republic of China. Gold prices are typically quoted in US dollars per fine troy ounce of gold.

Gold would remain as a significant financial asset in the current year, especially in times of increasingly volatile and vulnerable financial markets. The factors that would continue to spur the investment demand for gold are explained below.

6.2 Global Demand and Supply of Gold

6.2.1 Demand of Gold in Global Market

The worldwide demand for gold remained robust as economic conditions improve. As gold's long term store of value and wealth preservation qualities continued to attract consumers and investors, total worldwide identifiable gold demand for the year ended at third quarter of 2009 reached 2,610.7 tons, which represented a 15% increase from the previous quarter.

Approximately 80% of the global demand for gold in 2009 was fabrication demand, which represented demands for jewellery, production of electronics, dental products, and other industrial and decorative applications. The primary drive for such fabrication demand was attributed to the continued growth of real disposable income.

Consumer demand in different countries (in tons)

	Year ended Q3 2008			Year ended Q3 2009			% Change Y/E Q3 09 vs. Q3 08
	Jewels	Net retail invest.	Total	Jewels	Net retail invest.	Total	Total
India	442.4	190.7	633.1	342.5	81.0	423.5	-33%
China	348.9	65.3	414.2	372.8	85.7	458.5	11%
United States	221.1	49.5	270.6	161.7	108.5	270.2	0%
Turkey	174.7	60.7	235.4	83.7	28.3	112.0	-52%
Saudi Arabia	111.1	8.5	119.6	86.2	14.7	100.9	-16%
Others	913.6	209.0	1,122.6	720.1	525.6	1,245.7	11%
Total	2,211.8	583.7	2,795.5	1,767.0	843.8	2,610.7	-7%

Table 4 : Consumer demand of gold in different countries in tons
Source : World Gold Council, 2009

Jewellery demand in Q3 2009 was 20% below year-earlier levels. Most countries recorded a decline, the most severe ones being Turkey, India and Saudi Arabia (-52%, -33% and -16% respectively). In each case, the magnitude is exacerbated by an exceptionally strong Q3 2008. The exception to the trend was China, where there was a 11% increase in tons compared to the same period in 2008.

Persistent weakness of dollars had also driven the investment demand for gold. The US dollars has lost 5% against the Euro since September 2007 and the US dollar index had traded at its lowest at 70 in mid 2008. The value and purchasing power of paper currencies had declined over the years relative to gold, thus investors who were bearish on the outlook for the US dollars may consider it appropriate to use gold as a hedge against this currency risk. This explained why the overall investment demand for gold had showed a positive growth in most countries for the year ended Q3 2009 compared to year-earlier levels.

Gold performance's as a hedge against inflation was also one of the reasons why people buy it. While gold's short term effectiveness as an inflation hedge may vary, it remained a reliable store of value over the long term.

All the above market dynamics had contributed to the sustained increase in the global demand of gold.

6.2.2 Supply of Gold in Global Market

Whilst demand remained strong, the overall level of gold mine production remained relatively stable, averaging approximately 2,485 tons per year over the last five years. Total supply in 2009 was 2,553 tons, representing a slightly 6% increase compared to 2008. The top five gold producing countries in the world are China, South Africa, United States, Australia and Peru.

World's top gold producing countries from 2007 to 2009

	Mines production (tons)		
Countries	**2007**	**2008**	**2009**
China	280	282	314
South Africa	270	220	210
Australia	245	219	227
United States	244	229	216
Peru	170	175	182
Others	1,269	1,284	1,404
Total gold mining output	2,478	2,409	2,553

Table 5 : World's top gold producing countries from 2007 to 2009
Source : GFMS Limited, January 2010

According to the summary above, China is the only country among the major gold producers with a growing production, with a 7% increase and an annual production totalled 260 tons in 2008. All other countries reported gradual declines throughout the years mainly due to the extinction of large-scale economical gold deposits.

Though China has recorded an ever-increasing gold supply, the comparatively long lead times in metal production means mining output is pretty inelastic and would be unable to react quickly to a change in price outlook.

On the other hand, central banks and supranational organizations (such as International Monetary Fund) currently hold around 10% of their office reserves in gold, though the proportion varies from country-by-country. The importance of gold as a key element of the global monetary reserves is further reaffirmed by the renewal of the Central Bank Gold Agreement (CBGA) on 7 August 2009. The agreement limits the sale of gold by central banks over the five year periods from 2,500 to 2,000 tons. Henceforth, it is expected that the supply of gold in the market will be diminishing in the future years.

6.3 PRC Gold Market

6.3.1 Overview of PRC Gold Market

In late 2002, Shanghai Gold Exchange (SGE) was established as a platform for supervising and coordinating the trading of gold bullion, bars and coins as well as all other precious metals in the PRC. Gold trading on the SGE is at the standard purities of Au9999 and Au9995. The gold prices quoted on SGE had increased by an average of 6.74% compared to last year to the level of approximately RMB209 per gram, at October 2009.

6.3.2 Demand of Gold in the PRC

In 2009, China is the world's second largest gold consuming country after India. The increasing demand of gold in China is being fuelled by the flourishing economy of the nation, in which the consumers are indulged in buying their favourite luxury metals with their rising income levels. According to the Q3' 09 Gold Demand Trends Report issued by the World Gold Council (WGC), the Mainland China, as being supported by a 8.9% year on year growth in GDP, has experienced a 12% increase in consumer and net retail investment demand for gold compared to last quarter, reaching a record high of 120.2 tons.

China is currently the fifth-largest gold reserve nation after United States, Germany, France and Italy. In 2009, the PRC government has announced to considerably increase its official gold reserves from 600 to 1,054 tons. It is expected that this holdings of gold proportions will be further raised as Renminbi became increasingly internationalized.

World official gold holding as of December 2009

Rank	Country	Gold *(tons)*	Gold's share of total reserves *(%)*
1	United States	8,133.5	68.7%
2	Germany	3,407.6	64.6%
3	IMF	3,005.3	N/A*
4	Italy	2,451.8	63.4%
5	France	2,435.4	64.2%
6	PRC	1,054.0	1.5%
7	Switzerland	1,040.1	28.8%
8	Japan	765.2	2.4%
9	Netherlands	612.5	51.7%
10	Russia	607.7	4.7%

Table 6 : World's official gold holding as of December 2009
Source : World Gold Council, December 2009
* *IMF does not allow this percentage to be calculated.*

The demand is further strengthened by the improved competitiveness of the Shanghai Gold Exchange (SGE). The liquidity of gold has increased significantly over the past few decades thanks to large number of brokers streamlining the process of buying and selling. Today's brokers have made trading gold and other gold stocks and exchange traded funds (ETFs) as easy and attractive as possible by offering nearly instant payments and guaranteed sales prices.

6.3.3 Supply of Gold in the PRC

On the supply side, China's gold output had rose 11% to a record high of 314 tons in 2009, which represented a 19% jump year on year. Nearly 60% of China's output came from the top 5 producing provinces – Shandong, Henan, Jiangxi, Fujian and Yunnan. According to the China Gold Association, China maintained its position as the world's top gold producer for the consecutive third year in 2009. The PRC's gold output has been increased significantly in both absolute and relatives terms compared to the global gold output.

While the volume of gold output increased, the total number of producers in the nation had dropped from approximately 1,200 to 700 due to significant industry consolidation. With soaring demand and limited supply of gold output, it is expected that the gold price will surpass past years' records and continued to strike high in the PRC market.

6.4 International Gold Price

The price of gold had a strong showing in the year 2009 sustaining a value over US$1,000 per ounce since early October. The price started the year at US$875/ounce and averaged US$959/ounce. The value of gold climbed steadily throughout the year with the price ranging from US$812/ounce and peaked over US$1,200/ounce in early December 2009. The price is now consolidating around US$1,130/ounce in January 2010.

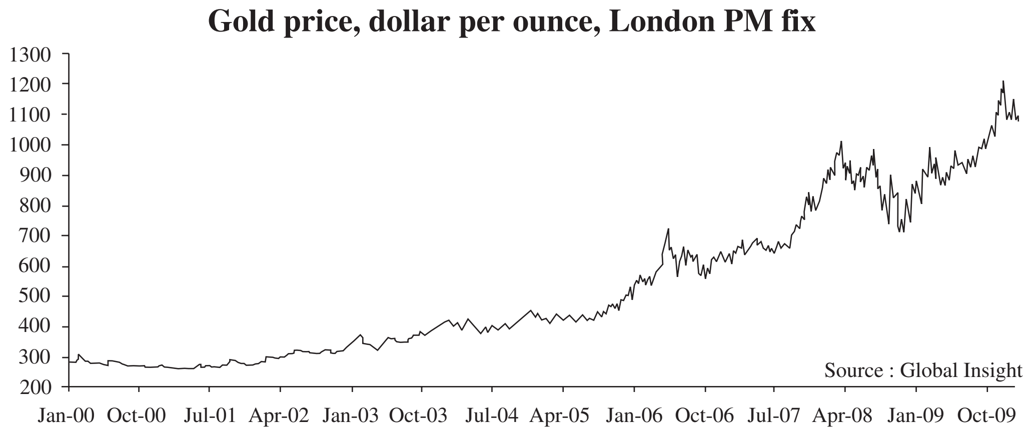

Figure 2 : International Gold Price from 2000 to 2009
Source : www.kitco.com

As true for all assets, gold price moves in response to the changing dynamics between its market demand and supply. Mine production is relatively inelastic due to the long lead times in gold mining. Meanwhile, demand has shown sustained growth, partly due to the rising income levels in gold's key markets. This has created the most positive outlook for the price of this precious metal in the coming years.

7.0 CHINA ECONOMY OVERVIEW

China has experienced rapid economic growth over the past few years. According to the National Bureau of Statistics of China ("NBSC"), China's real GDP increased by 9.0% from 2007, and year-on-year growth for nominal GDP is 16.9% in 2008. Growth is expected to average at an impressive 7.8% heading into Year 2013, mainly contributed to continuous growth in domestic demand, private consumption and government spending.

Key economic indicators of the PRC

	2006	2007	2008
Real GDP year-on-year growth (%)	11.6	13.0	9.0
Nominal GDP year-on-year growth (%)	15.7	21.4	16.9
Per capita nominal GDP (RMB)	16,122.3	19,473.8	22,640.5

Table 7 : Key economic indicators of the PRC from 2006 to 2008
Source : NBSC

The growth in GDP and the rate of urbanization have led to an improvement in living standards and an increase in purchasing power. Per capita annual disposable income levels of urban residents have increased substantially since 2000. During the period from 2000 to 2008, the per capita annual disposable income of urban households in the PRC increased from approximately RMB6,280 to RMB15,781, representing a compound annual growth rate (CAGR) of approximately 12.2%.

The PRC's market for consumer goods has expanded rapidly in the past few years led by the PRC's strong economy, growing middle class and increasing affluence of average citizens. For example, the number of households with an annual disposable income of over US$2,500 has been more than tripled, from approximately 81 million in 2000 to approximately 263 million in 2009. This income group accounted for 67.6% of total households in 2009, showing substantial increase from 23.1% in 2000.

8.0 MAJOR RISK FACTORS

There are certain risks involved in the operations of Gold Mining Project and many of these risks are beyond our control. These risks can be characterized as (i) risks relating to gold mining and processing industries and the Gold Mining Project; (ii) risks relating to the PRC.

(i) Risks relating to gold mining and processing industries and the Gold Mining Project.

- The prospecting gold resources data estimated by GGICAS and further reviewed by SRK Consulting China Limited, an independent qualified mineral technical adviser, may be inaccurate, and hence the projected future production volumes, revenue and capital expenditures, which are based on these estimates, may differ materially from actual figures. The Technical Report also emphasizes that the resource amount estimated by GGICAS is only a premature prospecting gold resource estimated.

- The business operations are extensively impacted by the policies and regulations of the PRC Government.

- The continuing success depends on the ability to continue developing the Gold Mining Project.

- The business and results of operations are susceptible to the cyclical nature of gold trading markets and are vulnerable to fluctuations in gold prices.

- The business requires significant and continuous capital investment.

- Accidents at the Gold Mining Project or other neighboring mines could materially and adversely affect our business operations.

- It may not have sufficient insurance coverage against potential operational risks.

(ii) Risk relating to the PRC

- Adverse changes in the PRC's economic, political and social conditions as well as governmental policies could have a material adverse effect on China's overall economic growth, which could in turn adversely affect the financial condition and results of operations.

- Concerns over the PRC's high growth and measures taken by the PRC Government may lead to an increase in interest rates and a slowdown in economic growth.

9.0 DEFINITION OF APPRAISAL

Market Value is defined as the estimated amount for which the business should exchange on the date of valuation between a willing buyer and a willing seller in arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

10.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with the Management in relation to the development and prospects of the gold mining and processing industries in the PRC, and the development, operations and other relevant information of the Gold Mining Project. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the gold mining and processing industries from external public sources as we consider necessary for the purpose of this appraisal. As part of our analysis, we have reviewed the Technical Report, business plan, financial information and other pertinent data concerning the Gold Mining Project provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in Gold Mining Project requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal including but not limited to the following:

- The nature and the characteristics of the relevant permit(s) and license(s) such as the Exploration Permits;
- Technical review of the mining operations and resources estimation by the technical experts;
- The economic and industry data affecting the mines and the mineral extraction industry in the PRC; and
- The market-derived investment return(s) of similar business.

11.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the market value of the Gold Mining Project, namely, the Market-Based Approach, the Asset-Based Approach and the Income-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing business entities that is similar in nature.

11.1 Market-Based Approach

It values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for valuation indication from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then to be applied to the fundamental financial variables of the subject business entity and to arrive at an indicated value of it.

11.2 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represent the value of a business entity and equal to the value of its invested capital (equity and long term debt). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equal the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

11.3 Income-Based Approach

The Income-Based Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

12.0 APPRAISAL APPROACH FOR THE GOLD MINING PROJECT

In the process of valuing a business subject, we have taken into consideration the business nature, speciality of its operation and the industries it is participating. Having considered the three general valuation methodologies, we believed that the Income-Based Approach would be appropriate and reasonable in the appraisal for the market value of the Gold Mining Project.

In this valuation, the Market-Based Approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for our opinion of value. The Cost-Based Approach is not appropriate as it ignores the economic benefits of the business. We have therefore relied solely on the Income-Based Approach in determining opinion of value.

12.1 Discount Rate

It is simple method adopting the Income-Based Approach to state the value of a business in present value term. This method is simple and easy to understand. It is well accepted by most analysts and practitioners. A variety of basis has emerged in numerous attempts of establishing true value of a business. The latest attempt was looking from firm's investors perspective including stockholders and bondholders. That is the free cash flow available to the business as a whole.

This is a widely used and accepted method to determine market value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. To adopt this method, we must however, first obtain the weighted average cost of capital (WACC) of the company as a basic discount rate. It is the minimum required return that a valuation subject must earn to satisfy its various capital providers including shareholders and debtholders. The WACC is calculated taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T)$$

in which

R_e = cost of equity
R_d = cost of debt
W_e = portion of equity value to enterprise value
W_d = portion of debt value to enterprise value
T = corporate tax rate

i) Cost of equity

From modern portfolio management perspective, a typical investors are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate. Additional risk premiums such as country risk premium and size premium are added to reflect the other risk factors concerning the Business Enterprise. All the estimates are supported by public sources like Bloomberg and Morning Star. The capital asset pricing model (CAPM) is used to determine the appropriate cost of equity of the Business Enterprise.

Cost of equity = risk free rate + equity beta x market risk premium + size premium + country risk premium

Cost of equity calculation:

[(1)]Risk free rate	2.54%
Equity beta	0.86
[(2)]Market risk premium	6.33%
[(3)]Size premium	3.99%
[(4)]Country risk premium	1.35%
Cost of equity	**13.32%**

* *Figures above are subject to rounding process*

Notes:

(1) This is the yield of 5-year US treasury government bond.

(2) Market risk premium = market rate of return – risk free rate.

(3) This is the risk of small size company in 2010 based on the research conducted by Ibbotson Associates, Inc.

(4) This is the increased risk associated with investing in a developing country, including business risk, financial risk, liquidity risk, exchange rate risk & country risk.

Given the above variables, we have arrived the cost of equity of 13.32%.

ii) Cost of debt

The cost of debt was made reference to the China Above 5 Years Best Lending Rates. As at the Date of Appraisal, the China Above 5 Years Best Lending Rates is 5.94%.

iii) Weight of debt

The current debt level of the Business Enterprise is not desirable given its stage of development. To stay competitive in the industry, it is reasonable to assume that the Business Enterprise should achieve a debt level toward the average of the weight of debt of its industry comparables. Through the analysis of the industry comparables, the weight of debt is estimated as 11%.

iv) Weight of equity

The weight of equity is estimated as 89% by adopting the same basis as above.

Having considered that the Gold Mining Project is at the preliminary stage of development, a 2% risk premium is added to reflect the pre-operational risk of the project.

The discount rate considered appropriate for this valuation as at the Date of Appraisal, taking into account of the above, is 14.35%, which is then applied to the after tax cash flow.

12.2 Marketability Discount

In addition, we have adopted a lack of marketability discount of 30% for the Business Enterprise as ownership interests in closely held companies are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Marketability discount for ownership interests in private companies can range from 3% to 35% according to empirical research. 30% discount is a professional judgement for this valuation based on our experience and the valuation subject.

13.0 APPRAISAL ASSUMPTIONS

- We have relied on the Technical Report, business plan and financial information provided by the Management in particular the gold resources as well as the grading and we have no responsibility for the reliability of the advice;

- We have assumed that the Business Enterprise have no legal impediment to obtain the mining right(s) of Gold Mining Project with the production capacity in line with the business plan provided by the Management and achieved the expected result;

- We have assumed the Business Enterprise has free and uninterrupted rights to use or assign the interest of the Gold Mining Project for the whole of the unexpired terms as granted and any mining right(s) premiums/administrative costs payable have already been fully paid unless otherwise specified in our report;

- The relevant permit(s) and license(s) is able to be renewed from time to time in order to achieve the planned exploitation and development of the Gold Mining Project;

- As part of its going concern business, the Business Enterprise will successfully do all necessary activities for the completion and development of the Gold Mining Project;

- As per mining schedule prepared by the Management, the mining operation is estimated to last for up to 5 years with a total actual production of 14.1 tons. The Gold Mining Project will formally put into production in 2011. The total amount of gold produced from the Gold Mining Project as per business plan provided by the Management is as follows:

Year 2011	:	1.0 tons
Year 2012	:	2.0 tons
Year 2013	:	4.0 tons
Year 2014	:	4.0 tons
Year 2015	:	3.1 tons
Total	**:**	**14.1 tons**

- The proposed capital expenditure of the Gold Mining Project is RMB100.7 million;

- The market sale price of the gold is RMB244.4 per gram which is referenced to Shanghai Gold Ex Au 9995 Gold Index closing price on the Date of Appraisal;

- The average production cost per gram is about RMB63 at the Gold Mining Project;

- The corporate income tax in the PRC is 25% as at the Date of Appraisal;

- In the course of our valuation, we have applied the average recovery rate of the Gold Mining Project is approximately 90%;

- The Gold Mining Project would maintain sufficient working capital to implement the scheduled mining operations from time to time;

- In the course of our valuation, working capital is assumed to be 3% of production costs;

- There exist reliable and adequate transportation network and capacity for the mining products;

- The Company, after completion of the transaction, will retain competent Management, key personnel, and technical staff to support the ongoing operation and development of the mining business;

- All required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been or can readily be obtained or renewed by the Management on which the valuation contained in our report are based;

- There will not be material changes in government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate), market or economic conditions, the bases or rates of taxation in the PRC, where the Gold Mining Project is situated;

- The Management has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of stringent statutory mining safety measures, geologic formation structurally deformed, soil erosion and other types of unexpected accidents or natural disasters or catastrophes) to the scheduled mining operations; and

- The Gold Mining Project can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the PRC Government.

14.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Date of Appraisal. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have, when and where possible, conducted a limited scope of inspections of the Gold Mining Project, in particular the area in respect of which we have been provided with such information as we have requested for the purpose of our valuation. In the course of valuation, we have relied solely on the information provided by the Management. No verification from our part is assumed.

As agreed, the purpose of the inspection is not to have a full scope investigation on the quantity and the quality of Gold Mining Project; rather, it is designed to give us a better understanding of the project and its surrounding areas. No responsibility or liability is assumed.

We have not carried out on-site measurements to verify the correctness of the dimensions, specifications and areas of Gold Mining Project, but have assumed that the figures shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospecting and in particular the Technical Report and the business plan provided to us.

Our conclusion of the market value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby confirm that we have neither present nor prospective interests in the Business Enterprise, the Company and its holding companies, subsidiaries and associated companies, or the value reported herein.

15.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Renminbi (RMB). The exchange rate adopted in our valuation is approximately HKD1 = RMB0.88.

16.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the appraisal method employed, we are of the opinion that the market value of the Gold Mining Project in its existing state, as at the Date of Appraisal was in the sum of **RMB826,800,000 (RENMINBI EIGHT HUNDRED TWENTY SIX MILLION AND EIGHT HUNDRED THOUSAND ONLY).**

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Nick C. L. Kung
Registered Business Valuer of HKBVF
MRICS, MHKIS, RPS (G.P.)
Director, Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 6 years' experience in business valuation in Hong Kong and the PRC.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the valuation of the Target Mine No. 3 as at 31 March, 2010.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

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7 June 2010

The Board of Directors
Sino Prosper State Gold Resources Holdings Limited
Units 1702-1704, 17/F., Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

Re : Valuation of a gold mine located at 中華人民共和國黑龍江省虎林市290高地 (No. 290 Highland, Hulin City, Heilongjiang Province, the People's Republic of China)

In accordance with your instructions for us to carry out an appraisal for the market value of a greenfield gold mine located at No. 290 Highland (hereinafter referred to as the "No. 290 Gold Mine" or "Target Mine No. 3") of Hulin City, Heilongjiang Province, the People's Republic of China (hereinafter referred to as the "PRC"). It is our understanding that the exploration permit of No. 290 Gold Mine is currently held by 黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic and Trade Co. Ltd.) (hereinafter referred to as the "Business Enterprise"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value for No. 290 Gold Mine in its existing state as at 31 March, 2010 (hereinafter referred to as the "Date of Appraisal").

This report states the purpose of appraisal and scope of our works, identifies the business appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

This report is being prepared solely for the use of the directors and management of Sino Prosper State Gold Resources Holdings Limited (hereinafter referred to as the "Company") for its inclusion in the circular to its shareholder in relation to the proposed acquisition of further 27% equity interest in the Business Enterprise. In addition, Norton Appraisals Limited (hereinafter referred to as the "Norton Appraisals") acknowledges that this report may be made available to the independent financial adviser of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators.

Norton Appraisals assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information, in particular the Technical Assessment on Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi Gold Projects in Heilongjiang Province, People's Republic of China (31 August, 2009) prepared by SRK Consulting China Limited (hereinafter referred to as "Technical Report") – an independent qualified mineral technical adviser specialized in providing resources evaluation to the industry and the business plan provided by the management of the Company and its representatives (hereinafter referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospects of the gold mining and processing industries in the PRC, and the development, operations and other relevant information of the No. 290 Gold Mine. As part of our analysis, we have reviewed such business plan, financial information, Technical Report and other pertinent data concerning the No. 290 Gold Mine provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the No. 290 Gold Mine will approximate those projections in the Technical Report as well as business plan because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the appraisal of the market value of the No. 290 Gold Mine, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 NO. 290 GOLD MINE

No. 290 Gold Mine is wholly owned by the Business Enterprise. The Business Enterprise is a limited liability company (Taiwan-Hong Kong-Macau and local joint venture company) incorporated in the PRC with registered capital of RMB5.7 million. The main scope of business is confined to wholesaling of construction materials, steels, agricultural goods and conduct exploration and prospecting copper and polymetallic mines in restricted areas upon obtaining the exploration permit. It is subject to a Enterprise Legal Person Business License No.230103100168826 from 15 February, 2007 to 14 February, 2039. The registered address of the Business Enterprise is situated at 哈爾濱市南崗區閩江小區二期11棟4單元6層1號 (No. 1, 6/F., Unit 4, Block 11, Phase 2, Min Jiang Xiao Qu, Nan Gang District, Harbin City).

3.1 Location and Geographic Coordinates

No. 290 Gold Mine is located approximately 320km east of Jiamusi City, the 4th largest cities in Heilongjiang Province, the PRC. Jiamusi airport is serviced by several daily direct flights between Beijing and Jiamusi. Administratively, the project area is 120km north of Hulin City, Heilongjiang Province. The project area can be easily accessed via highway (60km) from Jiamusi to Jixian, and then a provincial concrete paved road (S307,200km) from Jixian to Raohe County, and short local gravel road (60km) from Raohe to the project site.

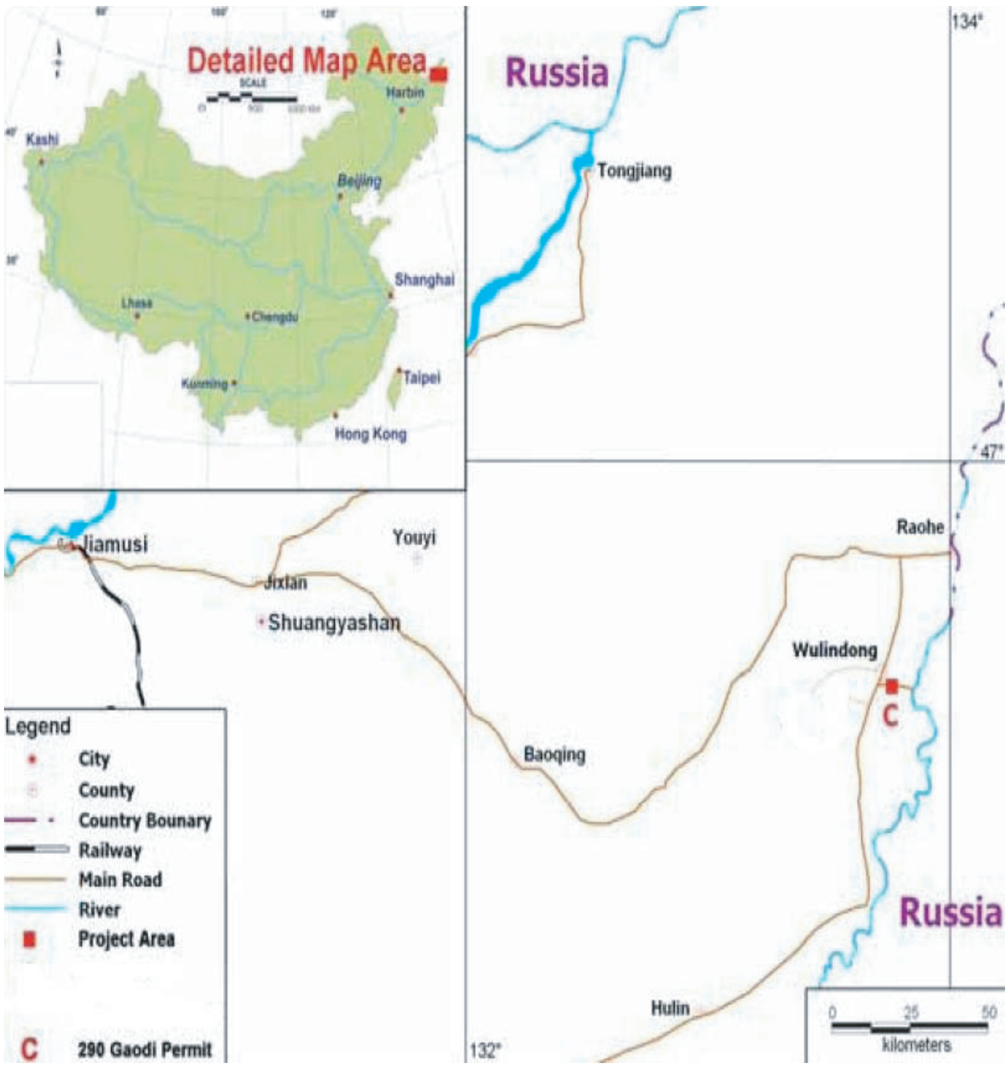

Figure 1: Location of No. 290 Gold Mine
Source: Technical Report

3.2 Climate and Physiography

Topography of the area is characterized by low-middle hills of average elevations between 250m and 400m above the sea level (ASL) with a relief of 150-300m ASL. The climate of the area is typical continental climate with monsoon. It is hot and rainy in summer and cold and dry in winter. Annual temperature averages around 3.9 degree centigrade (℃) and ranging from -39.3℃ to 37.2℃. The annual average precipitation is about 546 millimetres (mm) mostly occurring from June to September period. Annual average evaporation is 649.7mm. Non-frost season is about 134 days. Vegetation is relatively rich.

3.3 Economy and Infrastructure

Nearby the gold mining area, there is relatively spare population consisting of mainly Han people. Local economy is heavily based on agriculture and forest logging and timber process industries. Main crops are rice, bean, and corn. There are no power grids adjacent to the property area so far. The Northeast Electronic Net and Raohe power station can provide enough electricity to the project area. The water streams flow to the Wusuli River all year round.

3.4 Mineralogy

No. 290 Gold Mine is still in an early stage of exploration. As indicated from the Technical Report, the ore minerals are sulphide minerals of pyrite, chalcopyrite sphalerite and galena, oxidized pyrite showing as limonite, and less native gold. The gangue minerals are quartz, carbonate, chlorite, and other silicate minerals. The ore is characterized by disseminated structure and brecciform texture. The useful elements are gold and possibly other accessory metals.

4.0 EXPLORATION PERMIT

The Business Enterprise has obtained the exploration permit of the No. 290 Gold Mine dated 5 November, 2008 from 中華人民共和國國土資源部 (The Ministry of Land and Resources P.R.C) located at No. 290 Highland, Hulin City, Heilongjiang Province, the PRC with its exploration license No.T01120081102023112. The exploration permit of the mine is valid for a period from 5 November, 2008 to 5 November, 2011.

Permit No.	Gold mine	Expiry date	Area (km^2)	Location
T01120081102023112	No. 290 Highland	5 November, 2011	18.37	Hulin City

Table 1: Summary of Exploration Permit
Source: Management

4.1 No. 290 Gold Mine Exploration Tenement

The area of the mine exploration tenement is 18.37km2. It is defined by 12 coordinates, as shown in Table 2.

Corner	Longitude	Latitude
1	133°43'00"	46°31'00"
2	133°47'00"	46°31'00"
3	133°47'00"	46°29'00"
4	133°46'30"	46°29'00"
5	133°46'30"	46°28'30"
6	133°45'30"	46°30'00"
7	133°45'30"	46°29'00"
8	133°43'00"	46°29'30"
9	133°43'00"	46°30'00"
10	133°43'30"	46°29'00"
11	133°43'30"	46°30'00"
12	133°43'00"	46°30'00"

Table 2: Corner coordinates of No. 290 Gold Mine
Source: Technical Report

The strata are relatively simple in No. 290 Gold Mine exploration tenement area. The main stratigraphic units are the Late Triassic Dajiahe Formation (T_3dj) and the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d). Both lithologies are similar to the Paoshouying Dongshan and the headstream of Dumuhe exploration tenements areas. The Middle Jurassic Nandashan Formation (J_2n) consists of felsic volcanics including dacite, rhylite, and tuff breccia.

5.0 RESOURCE ESTIMATION

According to the feasibility report conducted by 中國科學院廣州地球化學研究所 (Guangzhou Geochemistry Institute of Chinese Academy of Science) (hereinafter referred to as the "GGICAS") dated 6 June, 2009, the gold results of surface samples collected from No. 290 Gold Mine implied that there are gold potential in the mining area. At No. 290 Gold Mine, the gradings of gold range from 0.10g/ton to 1.5g/ton, with an average and median grading of 0.64g/ton and 0.57g/ton respectively. No. 290 Gold Mine, therefore, has prospecting gold resource f 5.21 tons.

6.0 INTERNATIONAL GOLD MARKET

6.1 Overview of International Gold Market

For centuries, gold has been valued as a global currency, a commodity and an investment. It also remains a popular and viable method of preserving and growing wealth during economic downturns as well as periods of prosperity.

At 2009, the global above-ground stock of gold is approximately 167,000 tons, according to the statistics from World Gold Council (WGC). Half of the world's gold stock is in jewellery while the rest is held by national banks and private investors, or used for industrial purposes. The majority of annual gold demand is met by mine production, recycling of gold mined in previous years and net sales by central banks. The price of gold is determined based on over-the-counter transactions and global trading on a number of exchanges. Major exchanges include New York Mercantile Exchange (NYMEX), the London Bullion Market, Tokyo Commodity Exchange (TOCOM), and the Shanghai Gold Exchange (SGE) in the People's Republic of China. Gold prices are typically quoted in US dollars per fine troy ounce of gold.

Gold would remain as a significant financial asset in the current year, especially in times of increasingly volatile and vulnerable financial markets. The factors that would continue to spur the investment demand for gold are explained below.

6.2 Global Demand and Supply of Gold

6.2.1 Demand of Gold in Global Market

The worldwide demand for gold remained robust as economic conditions improve. As gold's long term store of value and wealth preservation qualities continued to attract consumers and investors, total worldwide identifiable gold demand for the year ended at third quarter of 2009 reached 2,610.7 tons, which represented a 15% increase from the previous quarter.

Approximately 80% of the global demand for gold in 2009 was fabrication demand, which represented demands for jewellery, production of electronics, dental products, and other industrial and decorative applications. The primary drive for such fabrication demand was attributed to the continued growth of real disposable income.

Consumer demand in different countries (in tons)

	Year ended Q3 2008			Year ended Q3 2009			% Change Y/E Q3 09 vs. Q3 08
	Jewels	Net retail invest.	Total	Jewels	Net retail invest.	Total	Total
India	442.4	190.7	633.1	342.5	81.0	423.5	-33%
China	348.9	65.3	414.2	372.8	85.7	458.5	11%
United States	221.1	49.5	270.6	161.7	108.5	270.2	0%
Turkey	174.7	60.7	235.4	83.7	28.3	112.0	-52%
Saudi Arabia	111.1	8.5	119.6	86.2	14.7	100.9	-16%
Others	913.6	209.0	1,122.6	720.1	525.6	1,245.7	11%
Total	2,211.8	583.7	2,795.5	1,767.0	843.8	2,610.7	-7%

Table 3: Consumer demand of gold in different countries in tons
Source: World Gold Council, 2009

Jewellery demand in Q3 2009 was 20% below year-earlier levels. Most countries recorded a decline, the most severe ones being Turkey, India and Saudi Arabia (-52%, -33% and -16% respectively). In each case, the magnitude is exacerbated by an exceptionally strong Q3 2008. The exception to the trend was China, where there was a 11% increase in tons compared to the same period in 2008.

Persistent weakness of dollars had also driven the investment demand for gold. The US dollars has lost 5% against the Euro since September 2007 and the US dollar index had traded at its lowest at 70 in mid 2008. The value and purchasing power of paper currencies had declined over the years relative to gold, thus investors who were bearish on the outlook for the US dollars may consider it appropriate to use gold as a hedge against this currency risk. This explained why the overall investment demand for gold had showed a positive growth in most countries for the year ended Q3 2009 compared to year-earlier levels.

Gold performance’s as a hedge against inflation was also one of the reasons why people buy it. While gold’s short term effectiveness as an inflation hedge may vary, it remained a reliable store of value over the long term.

All the above market dynamics had contributed to the sustained increase in the global demand of gold.

6.2.2 Supply of Gold in Global Market

Whilst demand remained strong, the overall level of gold mine production remained relatively stable, averaging approximately 2,485 tons per year over the last five years. Total supply in 2009 was 2,553 tons, representing a slightly 6% increase compared to 2008. The top five gold producing countries in the world are China, South Africa, United States, Australia and Peru.

World's top gold producing countries from 2007 to 2009

	Mines production (tons)		
Countries	**2007**	**2008**	**2009**
China	280	282	314
South Africa	270	220	210
Australia	245	219	227
United States	244	229	216
Peru	170	175	182
Others	1,269	1,284	1,404
Total gold mining output	2,478	2,409	2,553

Table 4: World's top gold producing countries from 2007 to 2009
Source: GFMS Limited, January 2010

According to the summary above, China is the only country among the major gold producers with a growing production, with a 7% increase and an annual production totalled 260 tons in 2008. All other countries reported gradual declines throughout the years mainly due to the extinction of large-scale economical gold deposits.

Though China has recorded an ever-increasing gold supply, the comparatively long lead times in metal production means mining output is pretty inelastic and would be unable to react quickly to a change in price outlook.

On the other hand, central banks and supranational organizations (such as International Monetary Fund) currently hold around 10% of their office reserves in gold, though the proportion varies from country-by-country. The importance of gold as a key element of the global monetary reserves is further reaffirmed by the renewal of the Central Bank Gold Agreement (CBGA) on 7 August 2009. The agreement limits the sale of gold by central banks over the five year periods from 2,500 to 2,000 tons. Henceforth, it is expected that the supply of gold in the market will be diminishing in the future years.

6.3 PRC Gold Market

6.3.1 Overview of PRC Gold Market

In late 2002, Shanghai Gold Exchange (SGE) was established as a platform for supervising and coordinating the trading of gold bullion, bars and coins as well as all other precious metals in the PRC. Gold trading on the SGE is at the standard purities of Au9999 and Au9995. The gold prices quoted on SGE had increased by an average of 6.74% compared to last year to the level of approximately RMB209 per gram, at October 2009.

6.3.2 Demand of Gold in the PRC

In 2009, China is the world's second largest gold consuming country after India. The increasing demand of gold in China is being fuelled by the flourishing economy of the nation, in which the consumers are indulged in buying their favourite luxury metals with their rising income levels. According to the Q3' 09 Gold Demand Trends Report issued by the World Gold Council (WGC), the Mainland China, as being supported by a 8.9% year on year growth in GDP, has experienced a 12% increase in consumer and net retail investment demand for gold compared to last quarter, reaching a record high of 120.2 tons.

China is currently the fifth-largest gold reserve nation after United States, Germany, France and Italy. In 2009, the PRC government has announced to considerably increase its official gold reserves from 600 to 1,054 tons. It is expected that this holdings of gold proportions will be further raised as Renminbi became increasingly internationalized.

World official gold holding as of December 2009

Rank	**Country**	**Gold** *(tons)*	**Gold's share of total reserves** *(%)*
1	United States	8,133.5	68.7%
2	Germany	3,407.6	64.6%
3	IMF	3,005.3	N/A*
4	Italy	2,451.8	63.4%
5	France	2,435.4	64.2%
6	PRC	1,054.0	1.5%
7	Switzerland	1,040.1	28.8%
8	Japan	765.2	2.4%
9	Netherlands	612.5	51.7%
10	Russia	607.7	4.7%

Table 5: World's official gold holding as of December 2009
Source: World Gold Council, December 2009
* *IMF does not allow this percentage to be calculated.*

The demand is further strengthened by the improved competitiveness of the Shanghai Gold Exchange (SGE). The liquidity of gold has increased significantly over the past few decades thanks to large number of brokers streamlining the process of buying and selling. Today's brokers have made trading gold and other gold stocks and exchange traded funds (ETFs) as easy and attractive as possible by offering nearly instant payments and guaranteed sales prices.

6.3.3 Supply of Gold in the PRC

On the supply side, China's gold output had rose 11% to a record high of 314 tons in 2009, which represented a 19% jump year on year. Nearly 60% of China's output came from the top 5 producing provinces – Shandong, Henan, Jiangxi, Fujian and Yunnan. According to the China Gold Association, China maintained its position as the world's top gold producer for the consecutive third year in 2009. The PRC's gold output has been increased significantly in both absolute and relatives terms compared to the global gold output.

While the volume of gold output increased, the total number of producers in the nation had dropped from approximately 1,200 to 700 due to significant industry consolidation. With soaring demand and limited supply of gold output, it is expected that the gold price will surpass past years' records and continued to strike high in the PRC market.

6.4 International Gold Price

The price of gold had a strong showing in the year 2009 sustaining a value over US$1,000 per ounce since early October. The price started the year at US$875/ounce and averaged US$959/ounce. The value of gold climbed steadily throughout the year with the price ranging from US$812/ounce and peaked over US$1,200/ounce in early December 2009. The price is now consolidating around US$1,130/ounce in January 2010.

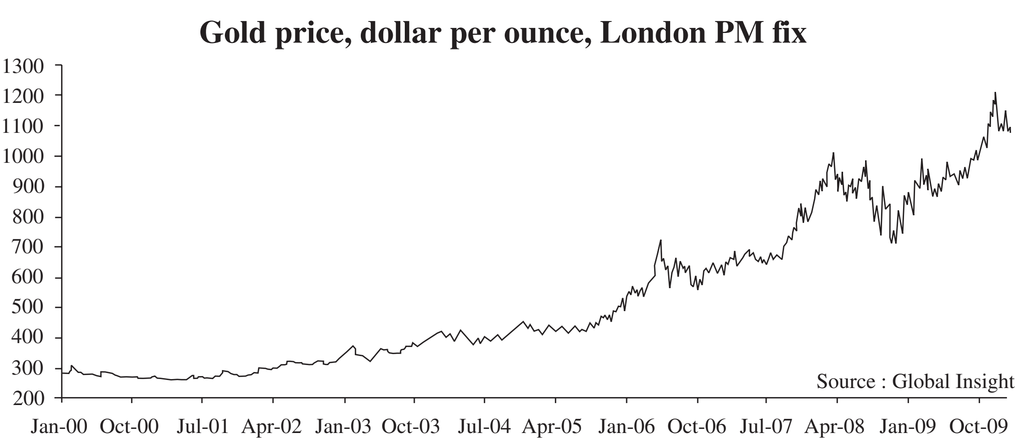

Figure 2: International Gold Price from 2000 to 2009
Source: www.kitco.com

As true for all assets, gold price moves in response to the changing dynamics between its market demand and supply. Mine production is relatively inelastic due to the long lead times in gold mining. Meanwhile, demand has shown sustained growth, partly due to the rising income levels in gold's key markets. This has created the most positive outlook for the price of this precious metal in the coming years.

7.0 CHINA ECONOMY OVERVIEW

China has experienced rapid economic growth over the past few years. According to the National Bureau of Statistics of China ("NBSC"), China's real GDP increased by 9.0% from 2007, and year-on-year growth for nominal GDP is 16.9% in 2008. Growth is expected to average at an impressive 7.8% heading into Year 2013, mainly contributed to continuous growth in domestic demand, private consumption and government spending.

Key economic indicators of the PRC

	2006	2007	2008
Real GDP year-on-year growth (%)	11.6	13.0	9.0
Nominal GDP year-on-year growth (%)	15.7	21.4	16.9
Per capita nominal GDP (RMB)	16,122.3	19,473.8	22,640.5

Table 6: Key economic indicators of the PRC from 2006 to 2008
Source: NBSC

The growth in GDP and the rate of urbanization have led to an improvement in living standards and an increase in purchasing power. Per capita annual disposable income levels of urban residents have increased substantially since 2000. During the period from 2000 to 2008, the per capita annual disposable income of urban households in the PRC increased from approximately RMB6,280 to RMB15,781, representing a compound annual growth rate (CAGR) of approximately 12.2%.

The PRC's market for consumer goods has expanded rapidly in the past few years led by the PRC's strong economy, growing middle class and increasing affluence of average citizens. For example, the number of households with an annual disposable income of over US$2,500 has been more than tripled, from approximately 81 million in 2000 to approximately 263 million in 2009. This income group accounted for 67.6% of total households in 2009, showing substantial increase from 23.1% in 2000.

8.0 MAJOR RISK FACTORS

There are certain risks involved in the operations of No. 290 Gold Mine and many of these risks are beyond our control. These risks can be characterized as (i) risks relating to gold mining and processing industries and the No. 290 Gold Mine; (ii) risks relating to the PRC.

(i) Risks relating to gold mining and processing industries and No. 290 Gold Mine

- The prospecting gold resources data produced by GGICAS and further reviewed by SRK Consulting China Limited, an independent qualified mineral technical adviser, may be inaccurate, and hence the projected future production volumes, revenue and capital expenditures, which are based on these estimates, may differ materially from actual figures. The Technical Report also emphasizes that the resources amount estimated by GGICAS is only a premature prospecting gold resource estimates.

- The business operations are extensively impacted by the policies and regulations of the PRC Government.

- The continuing success depends on the ability to continue developing No. 290 Gold Mine.

- The business and results of operations are susceptible to the cyclical nature of gold trading markets and are vulnerable to fluctuations in gold prices.

- The business requires significant and continuous capital investment.

- Accidents at the No. 290 Gold Mine or other neighboring mines could materially and adversely affect our business operations.

- It may not have sufficient insurance coverage against potential operational risks.

(ii) Risk relating to the PRC

- Adverse changes in the PRC's economic, political and social conditions as well as governmental policies could have a material adverse effect on China's overall economic growth, which could in turn adversely affect the financial condition and results of operations.

- Concerns over the PRC's high growth and measures taken by the PRC Government may lead to an increase in interest rates and a slowdown in economic growth.

9.0 DEFINITION OF APPRAISAL

Market Value is defined as the estimated amount for which the business should exchange on the date of valuation between a willing buyer and a willing seller in arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

10.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with the Management in relation to the development and prospects of the gold mining and processing industries in the PRC, and the development, operations and other relevant information of the No. 290 Gold Mine. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the gold mining and processing industries from external public sources as we consider necessary for the purpose of this appraisal. As part of our analysis, we have reviewed the Technical Report, business plan, financial information and other pertinent data concerning the No. 290 Gold Mine provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in No. 290 Gold Mine requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal including but not limited to the following:

- The nature and the characteristics of the relevant permit(s) and license(s) such as the Exploration Permit;
- Technical review of the mining operations and resources estimation by the technical experts;
- The economic and industry data affecting the mines and the mineral extraction industry in the PRC; and
- The market-derived investment return(s) of similar business.

11.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the market value of the No. 290 Gold Mine, namely, the Market-Based Approach, the Asset-Based Approach and the Income-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing business entities that is similar in nature.

11.1 Market-Based Approach

It values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for valuation indication from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then to be applied to the fundamental financial variables of the subject business entity and to arrive at an indicated value of it.

11.2 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represent the value of a business entity and equal to the value of its invested capital (equity and long term debt). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equal the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

11.3 Income-Based Approach

The Income-Based Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

12.0 APPRAISAL APPROACH FOR NO. 290 GOLD MINE

In the process of valuing a business subject, we have taken into consideration the business nature, speciality of its operation and the industries it is participating. Having considered the three general valuation methodologies, we believed that the Income-Based Approach would be appropriate and reasonable in the appraisal for the market value of the No. 290 Gold Mine.

In this valuation, the Market-Based Approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for our opinion of value. The Cost-Based Approach is not appropriate as it ignores the economic benefits of the business. We have therefore relied solely on the Income-Based Approach in determining opinion of value.

12.1 Discount Rate

It is simple method adopting the Income-Based Approach to state the value of a business in present value term. This method is simple and easy to understand. It is well accepted by most analysts and practitioners. A variety of basis has emerged in numerous attempts of establishing true value of a business. The latest attempt was looking from firm's investors perspective including stockholders and bondholders. That is the free cash flow available to the business as a whole.

This is a widely used and accepted method to determine market value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. To adopt this method, we must however, first obtain the weighted average cost of capital (WACC) of the company as a basic discount rate. It is the minimum required return that a valuation subject must earn to satisfy its various capital providers including shareholders and debtholders. The WACC is calculated taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - T)$$

in which

R_e = cost of equity
R_d = cost of debt
W_e = portion of equity value to enterprise value
W_d = portion of debt value to enterprise value
T = corporate tax rate

i) Cost of equity

From modern portfolio management perspective, a typical investors are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate. Additional risk premiums such as country risk premium and size premium are added to reflect the other risk factors concerning the Business Enterprise. All the estimates are supported by public sources like Bloomberg and Morning Star. The capital asset pricing model (CAPM) is used to determine the appropriate cost of equity of the Business Enterprise.

Cost of equity = risk free rate + equity beta x market risk premium + size premium + country risk premium

Cost of equity calculation:

(1)Risk free rate	2.54%
Equity beta	0.86
(2)Market risk premium	6.33%
(3)Size premium	3.99%
(4)Country risk premium	1.35%
Cost of equity	**13.32%**

* *Figures above are subject to rounding process*

Notes:

(1) This is the yield of 5-year US treasury government bond.

(2) Market risk premium = market rate of return – risk free rate.

(3) This is the risk of small size company in 2010 based on the research conducted by Ibbotson Associates, Inc.

(4) This is the increased risk associated with investing in a developing country, including business risk, financial risk, liquidity risk, exchange rate risk & country risk.

Given the above variables, we have arrived the cost of equity of 13.32%.

ii) Cost of debt

The cost of debt was made reference to the China Above 5 Years Best Lending Rates. As at the Date of Appraisal, the China Above 5 Years Best Lending Rates is 5.94%.

iii) Weight of debt

The current debt level of the Business Enterprise is not desirable given its stage of development. To stay competitive in the industry, it is reasonable to assume that the Business Enterprise should achieve a debt level toward the average of the weight of debt of its industry comparables. Through the analysis of the industry comparables, the weight of debt is estimated as 11%.

iv) Weight of equity

The weight of equity is estimated as 89% by adopting the same basis as above.

Having considered that the No. 290 Gold Mine is at the preliminary stage of development, a 2% risk premium is added to reflect the pre-operational risk of the project.

The discount rate considered appropriate for this valuation as at the Date of Appraisal, taking into account of the above, is 14.35%, which is then applied to the after tax cash flow.

12.2 Marketability Discount

In addition, we have adopted a lack of marketability discount of 30% for the Business Enterprise as ownership interests in closely held companies are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Marketability discount for ownership interests in private companies can range from 3% to 35% according to empirical research. 30% discount is a professional judgement for this valuation based on our experience and the valuation subject.

13.0 APPRAISAL ASSUMPTIONS

- We have relied on the Technical Report, business plan and financial information provided by the Management in particular the gold resources as well as the grading and we have no responsibility for the reliability of the advice;

- We have assumed that the Business Enterprise have no legal impediment to obtain the mining right of No. 290 Gold Mine with the production capacity in line with the business plan provided by the Management and achieved the expected result;

- We have assumed the Business Enterprise has free and uninterrupted rights to use or assign the interest of the No. 290 Gold Mine for the whole of the unexpired terms as granted and any mining right premiums/administrative costs payable have already been fully paid unless otherwise specified in our report;

- The relevant permit(s) and license(s) is able to be renewed from time to time in order to achieve the planned exploitation and development of No. 290 Gold Mine;

- As part of its going concern business, the Business Enterprise will successfully do all necessary activities for the completion and development of the No. 290 Gold Mine;

- As per mining schedule prepared by the Management, the mining operations is estimated to last for up to 4 years with a total actual production of 4.69 tons. No. 290 Gold Mine will formally put into production in 2012. The total amount of gold produced from the mine as per business plan provided by the Management is as follows:

Year 2012	:	0.5 tons
Year 2013	:	1.0 tons
Year 2014	:	1.5 tons
Year 2015	:	1.69 tons
Total	**:**	**4.69 tons**

- The proposed capital expenditure of the No. 290 Gold Mine is RMB35 million;

- The market sale price of the gold is RMB244.4 per gram which is referenced to Shanghai Gold Ex Au 9995 Gold Index closing price on the Date of Appraisal;

- The average production cost per gram is about RMB63 at the No. 290 Gold Mine;

- The corporate income tax in the PRC is 25% as at the Date of Appraisal;

- In the course of our valuation, we have applied the average recovery rate of the No. 290 Gold Mine at approximately 90%;

- The No. 290 Gold Mine would maintain sufficient working capital to implement the scheduled mining operations from time to time;

- In the course of our valuation, working capital is assumed to be 3% of production costs;

- There exist reliable and adequate transportation network and capacity for the mining products;

- The Company, after completion of the transaction, will retain competent Management, key personnel, and technical staff to support the ongoing operation and development of the mining business;

- All required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been or can readily be obtained or renewed by the Management on which the valuation contained in our report are based;

- There will not be material changes in government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate), market or economic conditions, the bases or rates of taxation in the PRC, where the No. 290 Gold Mine is situated;

- The Management has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of stringent statutory mining safety measures, geologic formation structurally deformed, soil erosion and other types of unexpected accidents or natural disasters or catastrophes) to the scheduled mining operations; and

- The No. 290 Gold Mine can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the PRC Government.

14.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Date of Appraisal. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have, when and where possible, conducted a limited scope of inspections of the No. 290 Gold Mine, in particular the area in respect of which we have been provided with such information as we have requested for the purpose of our valuation. In the course of valuation, we have relied solely on the information provided by the Management. No verification from our part is assumed.

As agreed, the purpose of the inspection is not to have a full scope investigation on the quantity and the quality of No. 290 Gold Mine; rather, it is designed to give us a better understanding of the project and its surrounding areas. No responsibility or liability is assumed.

We have not carried out on-site measurements to verify the correctness of the dimensions, specifications and areas of No. 290 Gold Mine, but have assumed that the figures shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospecting and in particular the Technical Report and the business plan provided to us.

Our conclusion of the market value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby confirm that we have neither present nor prospective interests in the Business Enterprise, the Company and its holding companies, subsidiaries and associated companies, or the value reported herein.

15.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Renminbi (RMB). The exchange rate adopted in our valuation is approximately HKD1 = RMB0.88

16.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the appraisal method employed, we are of the opinion that the market value of the No. 290 Gold Mine in its existing state, as at the Date of Appraisal was in the sum of **RMB257,000,000 (RENMINBI TWO HUNDRED AND FIFTY SEVEN MILLION ONLY).**

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Nick C. L. Kung
Registered Business Valuer of HKBVF
MRICS, MHKIS, RPS (G.P.)
Director, Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 6 years' experience in business valuation in Hong Kong and the PRC.

Set out below are the texts of the reports from HLB Hodgson Impey Cheng and Cinda International Capital Limited in connection with the cash flow forecasts underlying the valuation on Target Mine No. 1, Target Mine No. 2 And Target Mine No. 3 and prepared for the purpose of inclusion in this Circular.

(A) REPORT FROM HLB HODGSON IMPEY CHENG

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

7 June 2010

The Board of Directors
Sino Prosper State Gold Resources Holdings Limited
Unit 1702-04, 17/F., Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We have examined the arithmetical accuracy of the calculations of the discounted cash flow forecasts underlying the business valuations (the "Underlying Forecasts") in relation to the appraisal of the valuation of the Target Mine No. 1 (as defined in the Circular) and Target Mine No. 2 (as defined in the Circular), and the valuation of the Target Mine No. 3 (as defined in the Circular), which are regarded as profit forecast under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Underlying Forecasts are set out in Appendix IA and IB to the circular of Sino Prosper State Gold Resources Holdings Limited (the "Company") dated 7 June 2010 (the "Circular").

Respective responsibilities of the directors of the Company and the reporting accountants

The directors of the Company (the "Directors") are responsible for the preparation of the Underlying Forecasts and the reasonableness and validity of the assumptions based on which the Underlying Forecasts are prepared (the "Assumptions"). It is our responsibility to form an opinion, based on our work on the arithmetical accuracy of the calculation of the Underlying Forecasts and to report our opinion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the Underlying Forecasts relate to cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events as detailed in Appendix IA and IB to the Circular and management actions that cannot be confirmed and verified in the same way as past results, and these assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecasts and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We have examined the arithmetical accuracy of the calculations of the Underlying Forecasts. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecasts, so far as the arithmetical accuracy of the calculations are concerned, have been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Mine No. 1 and Target Mine No. 2, and valuation of the Target Mine No. 3.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations are concerned, the Underlying Forecasts have been properly compiled in accordance with the Assumptions made by the Directors.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

(B) REPORT FROM CINDA INTERNATIONAL CAPITAL LIMITED

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

7 June 2010

The Directors
Sino Prosper State Gold Resources Holdings Limited
Units 1702-04, 17/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecasts underlying the business valuation (the "**Valuation**") prepared by Norton Appraisals Limited ("**Norton**") in relation to the appraisal of the valuation of Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3. The Valuation is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Listing Rules and the Valuation is set out in Appendices IA and IB to the circular of the Company dated 7 June 2010 (the "**Circular**"), of which this report forms part of. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have reviewed the forecasts upon which the Valuation has been made for which you as the Directors are solely responsible, and have discussed with you and Norton the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from HLB Hodgson Impey Cheng dated 7 June 2010 addressed to yourselves as set out in Section (A) of this Appendix to the Circular regarding the calculations upon which the forecasts have been made. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation relates only to cashflows.

On the basis of the foregoing, we are satisfied that the forecasts upon which the Valuation has been made, for which you as the directors of the Company are solely responsible, have been made after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited
Thomas Lai
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
20,000,000,000	Shares of HK$0.01 each	200,000,000
Issued and fully paid or credited as fully paid:		
6,759,844,971	Shares in issue as at the Latest Practicable Date	67,598,449.71
6,759,844,971	Shares of HK$0.01 each	67,598,449.71

All the issued Shares should rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves.

3. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests and short positions in shares of the Company ("Shares")

	Capacity	Number of ordinary Shares *(Note 1)*	Approximate percentage of total issued Shares *(Note 2)*
Executive Directors:			
Leung Ngai Man	Interest of a controlled corporation	163,550,000 (L) *(Note 3)*	2.42
	Beneficial owner	1,954,931,813 *(Note 4)*	28.92
Wong Wa Tak	Interest of a controlled corporation	1,600,000 (L) *(Note 5)*	0.02

Notes:

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

2. This percentage is calculated on the basis of 6,759,844,971 Shares in issue as at the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options or warrants or convertible bonds which remained outstanding as at the Latest Practicable Date.

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

4. These 1,954,931,813 Shares were attributable to Leung Ngai Man. Among these shares, (a) 1,783,381,813 Shares were beneficially owned by Leung Ngai Man, of which 1,780,451,813 Shares were registered in the name of Kingston Finance Limited; (b) 8 million Shares represented underlying Shares for which Mr. Leung was entitled to subscribe upon exercise of certain options granted to him under the Company's Share Option Scheme; and (c) 163,550,000 Shares were beneficially owned by Climax Mark Limited which was solely owned by Mr. Leung.

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

(ii) Interests and short positions in underlying Shares

Name	**Capacity**	**Number of underlying Shares**	**Approximate percentage of total issued Shares** *(Note 1)*
Leung Ngai Man	Beneficial owner	8,000,000 *(Note 2)*	0.12
Yeung Kit	Beneficial owner	6,400,000 *(Note 3)*	0.09
Wong Wa Tak	Interest of a controlled corporation	3,000,000 *(Note 4)*	0.04
Chan Sing Fai	Beneficial owner	800,000 *(Note 5)*	0.01
Cai Wei Lun	Beneficial owner	3,400,000 *(Note 6)*	0.05
Sung Kin Man	Beneficial owner	10,000,000 *(Note 7)*	0.15

Notes:

1. This percentage is calculated on the basis of 6,759,844,971 Shares in issue as at the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options or warrants or convertible bonds which remained outstanding as at the Latest Practicable Date.

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

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

4. Share options carrying rights to subscribe for 7,000,000 Shares were granted to Master Hill Development Ltd. on 29 November 2004 pursuant to the share option scheme. Master Hill Development Ltd. exercised 4,000,000 share options on 8 February 2006 and as at 30 September 2009, it had 3,000,000 outstanding share options. 50% of the shareholdings of Master Hill Development Ltd. was held and beneficially owned by Wong Wa Tak. Under the SFO, Wong Wa Tak was deemed to be interested in these 3,000,000 share options held by Master Hill Development Ltd.

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

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

7. Share options carrying rights to subscribe for 10,000,000 Shares were granted to Sung Kin Man on 4 May 2010 pursuant to the share option scheme.

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

(iii) Substantial Shareholders And Other Persons' Interests And Short Positions In Shares And underlying shares

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

Name of Shareholder	**Capacity**	**Number of ordinary Shares** *(Note 1)*	**Approximate percentage of shareholding** *(Note 2)*
Climax Park Limited	Beneficial owner *(Note 3)*	163,550,000 (L)	2.42
Kingston Finance Limited	Holder of security interest *(Note 4)*	1,780,451,813	26.34
FRM LLC	Investment manager *(Note 5)*	480,920,000 (L)	7.11
Invesco Hong Kong Limited (in its capacity as manager/ advisor of various accounts)	Investment manager	368,530,000 (L)	5.45

Notes:

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

2. This percentage is calculated on the basis of 6,759,844,971 Shares in issue as at the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options or warrants or convertible bonds which remained outstanding as at the Latest Practicable Date.

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

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

5. Among the above Shares, 220,590,000 Shares were attributable to Fidelity Management & Research Company and 260,330,000 Shares were attributable to Fidelity Management Trust Company, Pyramis Global Advisors LLC.

Save as disclosed above, as at the Latest Practicable Date, 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.

4. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the date of this circular and are, or maybe, material:

(a) the 2010 Acquisition Agreement;

(b) the agreement dated 23 January 2010 and entered into between Sino Prosper Mineral Products Limited and Mr. Hong Guang in respect of the acquisition of the entire issued share capital of Favour South Limited, and all obligations, liabilities and debts owing or incurred by Favour South Limited to Mr. Hong Guang at a consideration of RMB147,000,000 (subject to adjustment);

(c) a framework agreement entered into between Sino Prosper Mineral Products Limited, 敖漢旗鑫瑞恩礦業有限責任公司 (Ao Han Qi Xin Rui En Mineral Industry Co., Ltd.), and the existing shareholder of 敖漢旗鑫瑞恩礦業有限責任公司 on 13 October 2009 in relation to the proposed investment by the Group in not less than 70% shareholding in 敖漢旗鑫瑞恩礦業有限責任公司, subject to the signing (and completion) of a formal investment agreement;

(d) the acquisition agreement dated 17 April 2009 and entered into between Sino Prosper (States Gold) Investment Limited (a wholly-owned subsidiary of the Group) as purchaser and Mr. Leung as vendor for the acquisition of Nice Think Group Limited, a company incorporated in the British Virgin Islands ("Nice Think"), and the obligations, liabilities and debts owing by Nice Think to Mr. Leung at a total consideration of RMB360 million;

(e) the disposal agreement dated 10 February 2010 and entered into between Mr. Leung as purchaser and Sino Prosper Group Limited (a wholly-owned subsidiary of the Company) as vendor for the proposed disposal of, among others, the entire issued share capital of Sino Prosper Resources Limited (a wholly-owned subsidiary of the Company), and the entirety of the face value of the loans outstanding as at completion of the said disposal agreement made by or on behalf of Mr. Leung to Sino Prosper Resources Limited at the purchase price of approximately RMB5,280,000;

(f) the conditional placing agreement dated 12 March 2010 and entered into between the Company and Samsung Securities (Asia) Limited as placing agent for the proposed placing of up to 3,600 million new shares of HK$0.01 each in the capital of the Company at a placing price at not less than HK$0.10 new placing share;

(g) a supplemental agreement dated 23 March 2010 and entered into between the Company and Samsung Securities (Asia) Limited in relation to the placing price under the agreement as referred to in (f);

(h) the subscription agreement dated 14 October 2009 and entered into between Mr. Leung as subscriber and the Company in respect of the subscription by Mr. Leung for up to a total of 342,270,000 shares of HK$0.01 each in the capital of the Company at a subscription price of HK$0.25 per subscription share;

(i) the conditional placing agreement dated 14 October 2009 and entered into between Mr. Leung as the vendor, the Company and DBS Asia Capital Limited, as the placing agent, in respect of the placing of up to 342,270,000 shares of HK$0.01 each in the capital of the Company at a placing price at HK$0.25 per placing share;

(j) the capital increase and subscription agreement dated 23 March 2009 and entered into between Victor Bright Investment Limited as subscriber and Gao Li Yan and Song Yang for the proposed acquisition of 65% interests in the Target PRC at a total subscription price of RMB5.2 million;

(k) the articles of association of the Target PRC dated 23 March 2009 entered into between Victor Bright Investment Limited, the First Vendor and the Second Vendor;

(l) the acquisition agreement dated 10 June 2008 and entered into between Sino Minerals Investment Limited (a wholly-owned subsidiary of the Company) as purchaser and Mr. Leung as vendor for the proposed acquisition of, among others, the entire issued share capital in, and the shareholder's loan to, Agortex Development Limited at a total acquisition price of RMB230 million;

(m) a supplemental agreement dated 27 August 2008 and entered into between Sino Minerals Investment Limited and Mr. Leung in relation to the agreement as referred to in (l) above;

(n) a supplemental agreement dated 9 October 2008 and entered into between Sino Minerals Investment Limited and Mr. Leung in relation to the extension of the long stop date under the agreement as referred to in (l) above to 31 March 2009;

(o) a supplemental agreement dated 27 February 2009 and entered into between Sino Minerals Investment Limited and Mr. Leung in relation to a further extension of the long stop date under the agreement as referred to in (l) above to 31 December 2009;

(p) a termination deed dated 11 May 2009 and entered into between Sino Minerals Investment Limited and Mr. Leung in relation to the termination of the agreements as referred to in (l) to (o) above;

(q) the conditional placing agreement dated 15 October 2008 and entered into between the Company and Cinda International Capital Limited as placing agent for the proposed placing of up to 257,230,000 new Shares at a subscription price of HK$0.033 per Share;

(r) an extension agreement dated 25 November 2008 and entered into between the Company and Cinda International Capital Limited as placing agent in relation to the extension of the long stop date under the agreement as referred to in (q) above to 28 February 2009;

(s) the conditional placing agreement dated 21 May 2008 and entered into between the Company and Cinda International Capital Limited as placing agent for the proposed placing of up to 257,230,000 new Shares at a subscription price of HK$0.125 per Share;

(t) an extension agreement dated 20 June 2008 and entered into between the Company and Cinda International Capital Limited as placing agent in relation to the extension of the long stop date under the agreement as referred to in (s) above to 11 July 2008;

(u) an extension agreement dated 11 July 2008 and entered into between the Company and Cinda International Capital Limited as placing agent in relation to the extension of the long stop date under the agreement as referred to in (s) above to 1 August 2008;

(v) an extension agreement dated 1 August 2008 and entered into between the Company and Cinda International Capital Limited as placing agent in relation to the extension of the long stop date under the agreement as referred to in (s) above to 1 September 2008; and

(w) an extension agreement dated 1 September 2008 and entered into between the Company and Cinda International Capital Limited as placing agent in relation to the extension of the long stop date under the agreement as referred to in (s) above to 15 October 2008.

5. MATERIAL ADVERSE CHANGES

The Directors confirm there are no material adverse changes in the financial and trading position of the Group since 31 March 2009, the date of which the latest audited financial statements of the Group were made up.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Leung Ngai Man (the Chairman of the Board, an executive Director and a substantial Shareholder) was interested in about 16.27% issued share capital in China Metal Resources Holdings Limited (stock code: 8071) ("CMR Holdings"). One of the principal activities of CMR Holdings and its subsidiaries is exploration of mining resources business in the PRC, which is in competition or potential competition with the business to be carried on by the Group after completion of the Acquisition (if so completed).

Save as disclosed above, during the year ended 31 March 2010 and up to the date of this circular, no Director and his associates are considered to have an interest in a business which completes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

7. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of Enlarged Group since 31 March 2009, the date of which the latest audited financial statements of the Group were made up.

8. DIRECTORS' INTERESTS IN CONTRACTS

Details of the related party transactions are set out in note 32 to the financial statements of the Group for the year ended 31 March 2009 in the annual report of the Company for the year ended 31 March 2009.

On 10 June 2008, Sino Prosper Minerals Investment Limited, a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("2008 Acquisition Agreement") (and supplemented by a supplemental agreement dated 27 August 2008) with Mr. Leung, an executive Director and a substantial shareholder of the Company, for the acquisition of, amongst others, Agortex Development Limited, at a total consideration of RMB230 million (equivalent to HK$258 million). The proposed acquisition of Agortex Development Limited was subsequently terminated by a termination deed dated 11 May 2009 and made between the same parties. Please refer to the Company's announcements dated 19 September 2008 and 11 May 2009 respectively.

On 17 April 2009, Sino Prosper (States Gold) Investment Limited (the "Purchaser SG"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("2009 Acquisition Agreement") with Mr. Leung for the acquisition ("2009 Acquisition") of Nice Think Group Limited, a company incorporated in the British Virgin Islands ("Nice Think"), and the obligations, liabilities and debts owing by Nice Think to Mr. Leung on or prior to completion of the 2009 Acquisition at a total consideration of RMB360 million (equivalent to approximately HK$409.1 million) (after adjustment). The consideration of RMB120 million (equivalent to approximately HK$136.4 million) is agreed to be settled by Purchaser SG procuring the Company to issue convertible bonds to the Vendor and the remaining consideration of RMB240 million (equivalent to approximately HK$272.7 million) is agreed to be settled by Purchaser SG (or the Company) issuing promissory note to Mr. Leung.

On 10 February 2010, Sino Prosper Group Limited (a wholly-owned subsidiary of the Company) entered into a disposal agreement ("2010 Disposal Agreement") with Mr. Leung for the disposal of the entire equity interest in (and the related shareholder's loans to) Sino Prosper Resources Limited at a total consideration of RMB5,280,000 (equivalent to about HK$6,000,000 as at such date of agreement). At the time of entering into the 2010 Disposal Agreement, Sino Prosper Resources Limited was the beneficial owner of 65% equity interest in PT Sino Prosper Indocarbon. For further details, please refer to the Company's announcement dated 10 February 2010.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Enlarged Group to which the Company or any of its subsidiaries or any of the Target Group was a party as at the Latest Practicable Date.

9. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

10. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

11. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Cinda International Capital Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Menlo Capital	a licensed corporation to carry out business in type 6 regulated activity (advising on corporate finance) under the SFO
Norton Appraisals Limited	Independent valuer

As at the Latest Practicable Date, none of the above experts has any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the above experts have any interest, direct or indirect, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to, any member of the Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

None of the above experts had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

12. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal office of business of the Company in Hong Kong is at Units 1702-04, 17/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Trior Secretaries Limited situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The secretary of the Company is Ms. Chiu Ngan Ling Annie, a fellow member of The Association of Chartered Certified Accountants, an associate member of Hong Kong Instititure of Certified Public Accountants, a menber of Hong Kong Securities Institute and a Certified Public Accountant in Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 1702-04, 17/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 24 June 2010.

(a) the 2010 Acquisition Agreement;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for each of the three years ended 31 March 2009 and the interim report of the Company for the six months ended 30 September 2009;

(d) the valuation reports on Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3 prepared by Norton Appraisals Limited, the text of which is set out in Appendices IA and IB to this circular;

(e) the reports on forecasts underlying the valuation on Target Mine No. 1, Target Mine No. 2 and Target Mine No. 3 prepared by HLB Hodgson Impey Cheng and Cinda International Capital Limited, the text of which is set out in Appendix II to this circular;

(f) the letter of advice from Menlo Capital, the text of which is set out in the section headed "Letter from Menlo Capital" of this circular;

(g) the letters of consent referred to under the paragraph headed "Experts and consent" in this Appendix;

(h) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(i) the service contracts referred to in the paragraph headed "Directors' service contracts" in this Appendix;

(j) the circular of the Company dated 31 August 2009 in relation to a very substantial acquisition and connected transaction; and

(k) the circular of the Company dated 31 May 2010 in relation to a major transaction.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Sino Prosper State Gold Resources Holdings Limited (the "Company") will be held at Units 1702-04, 17/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 24 June 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional acquisition agreement ("2010 Acquisition Agreement", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) dated 17 May 2010 and entered into between (i) Victor Bright Investment Limited (維嘉投資有限公司), a wholly owned subsidiary of the Company as purchaser; and (ii) GAO Liyan (高麗艷) and SONG Yang (宋陽) as vendors, in relation to the acquisition ("2010 Acquisition") of an aggregate of 27% equity interest in 黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) pursuant to the terms and conditions therein, as summarised in the circular ("Circular") of the Company dated 7 June 2010 (a copy of which Circular has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification), and all the transactions contemplated thereby be and they are hereby approved; and

(b) the directors of the Company ("Directors") be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps which, in the opinion of the Directors, are necessary, appropriate, desirable or expedient to give effect to or in connection with the 2010 Acquisition Agreement and the transactions contemplated thereunder and to agree to amendments or waivers or matters relating thereto as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole (to the extent such amendments or waivers are not material in the context of the entire transaction as a whole)."

Yours faithfully,
By Order of the Board
Sino Prosper State Gold Resources Holdings Limited
Sung Kin Man
Chief Executive Officer & Executive Director

Hong Kong, 7 June 2010

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

Head office and principal place of business in Hong Kong:
Units 1702-04, 17/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Notes:

(1) Any member of the Company entitled to attend and vote at the above meeting convened by this notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not to be a Shareholder.

(2) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time for holding the above meeting or any adjournment thereof.

(3) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto to if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the executive Directors of the Company are Mr. Leung Ngai Man, Mr. Sung Kin Man, Mr. Yeung Kit, Mr. Wong Wa Tak, and Mr. Ng Kwok Chu, Winfield, and the independent non-executive Directors of the Company are Mr. Chan Sing Fai, Mr. Cai Wei Lun and Dr. Leung Wai Cheung.