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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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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.

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**SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED**  
**中盈國金資源控股有限公司**

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

(Stock Code: 766)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE SALE SHARES  
AND  
THE SALE LOAN OF SINO PROSPER GAS LIMITED**

**Financial adviser**



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



**Menlo Capital Limited**

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A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 17 of this circular.

A notice dated 28 September 2010 convening an EGM to be held at Units 1702-04, 17/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 15 October 2010 at 10:00 a.m. is set out on pages 28 to 29 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.

28 September 2010

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 25 August 2010 in relation to, among other matters, the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day (other than Saturday or Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Closing Conditions”	the conditions precedent to Completion as set out in the Sale and Purchase Agreement, briefly summarised in the section headed “Letter from the Board – The Sale and Purchase Agreement – Closing conditions” of this circular
“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
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of Sale and Purchase Agreement
“EGM”	the extraordinary general meeting to be convened and to be held on 15 October 2010 by the Company for considering, and if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereby
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, consisting of all the independent non-executive Directors

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## DEFINITIONS

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“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 the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Leung and his associates and who have no interests in the Disposal and who are not required to abstain from voting on the resolution to approve the Disposal and transactions contemplated thereunder at the EGM
“Independent Third Party”	a person who is not a connected person of the Company and who is independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	22 September 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
“Longstop Date”	31 October 2010 or such later date as the Vendor and the Purchaser may agree in writing
“Mr. Leung” or “Purchaser”	Mr. Leung Ngai Man, the Chairman of the Company and an executive Director and a substantial Shareholder
“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
“Purchase Price”	HK\$13.3 million, being the total purchase price for the Sale Shares and the Sale Loan under the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 25 August 2010 entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Loan”	the loan payable by the Target HK to its shareholder, which is expected to amount to approximately HK\$15.2 million immediately before Completion

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## DEFINITIONS

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“Sale Shares”	the entire issued ordinary share capital of the Target HK at Completion
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target HK”	Sino Prosper Gas Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target HK and the Target PRC
“Target PRC”	CNPC Sino Prosper Petroleum and Gas Co. Ltd. (中油中盈石油燃氣銷售有限公司), an indirect subsidiary which is 95% owned as to by the Target HK and the remaining 5% owned as to by an independent third party who is not a connected person of the Company and who is independent of and not connected with the Company and its connected persons save as its interests in the Target PRC
“Vendor”	Sino Prosper Group Limited, a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	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 RMB0.87 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.*

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LETTER FROM THE BOARD

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**SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED**

**中盈國金資源控股有限公司**

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

(Stock Code: 766)

*Executive Directors:*

Leung Ngai Man  
Sung Kin Man  
Yeung Kit  
Ng Kwok Chu, Winfield

*Registered office:*

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

*Independent non-executive Directors:*

Cai Wei Lun  
Leung Wai Cheung

*Principal place of business in*

*Hong Kong:*  
Units 1702-04, 17/F  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

28 September 2010

*To the Shareholders*

*Dear Sir/Madam,*

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE SALE SHARES  
AND  
THE SALE LOAN OF SINO PROSPER GAS LIMITED**

**INTRODUCTION**

Reference is made to the Announcement in which the Company announced that, on 25 August 2010, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loan subject to the terms and conditions as set out in the Sale and Purchase Agreement. The consideration for the Disposal is HK\$13.3 million which will be payable at Completion.

Upon Completion, members of the Target Group will cease to be the subsidiaries of the Company and the Company will have no more shareholding in the Target Group.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you (i) further details in respect of the Disposal and the Sale and Purchase Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Disposal and the Sale and Purchase Agreement; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement; and (iv) the notice of the EGM.

### THE SALE AND PURCHASE AGREEMENT

**Date:** 25 August 2010 (after trading hours)

**Parties:**

**Vendor:** Sino Prosper Group Limited, a direct wholly-owned subsidiary of the Company

**Purchaser:** Mr. Leung, the Chairman of the Company, an executive Director and a substantial Shareholder

**Assets to be disposed of**

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loan subject to the terms and conditions as set out in the Sale and Purchase Agreement.

The information regarding the Target Group is set out in the paragraph headed “Information on the Target Group” below.

**Purchase Price**

The Purchase Price is HK\$13.3 million which shall be paid by the Purchaser to the Vendor at Completion.

The Purchase Price was determined after arm’s length negotiation between the Purchaser and the Vendor having regard to the net asset value (net liability) of the Target Group based on the unaudited consolidated financial statements of the Target Group as at 31 July 2010, adjusted by the Sale Loan. As such, the Directors consider that the Purchase Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Closing Conditions

The sale and purchase of the Sale Shares and the Sale Loan shall be conditional upon (where applicable):

- (i) the compliance by the Company of (or, as the case may be, obtaining of waiver from) the relevant requirements under the Listing Rules (including without limitation the obtaining of the approval from Independent Shareholders in general meeting) as may be applicable to the Sale and Purchase Agreement and the transactions contemplated thereby being fulfilled (or, where applicable, waived) at or before 4:00 p.m. on the Longstop Date; and
- (ii) the settlement of the current accounts between the Target Group and the Group (other than the Target Group), and for the avoidance of doubt, the said current accounts do not include the capital accounts which constitute shareholder's loans owing by the Target Group to the Vendor which constitutes the Sale Loan.

If the Closing Conditions are not fully fulfilled (or, as the case may be, waived (if applicable) by the Purchaser) on or before 4:00 p.m. on the Longstop Date, the Sale and Purchase Agreement shall cease and terminate and none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches.

### Completion

Subject to the satisfaction or (where applicable) waiver of all Closing Conditions, Completion shall take place at 4:00 p.m. (Hong Kong time) on the fifth Business Day following the date on which the last Closing Condition is fulfilled or (where applicable) waived (or at such other time and/or date as the Vendor and the Purchaser may agree).

### INFORMATION ON THE TARGET GROUP

The Target HK was incorporated in Hong Kong on 26 November 2003 and is principally engaged in investment holding. Its major assets are its investment in the Target PRC. The Target PRC was established in the PRC on 30 April 2007 and is a 95%-owned subsidiary of the Target HK. It is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The registered share capital of the Target PRC is RMB50,000,000 of which the Target HK is responsible for paying up the portion in the amount of RMB47,500,000. The Target HK has made capital contribution of approximately RMB13.2 million up to the Latest Practicable Date. The term of business for the Target PRC under its business licence is from 30 April 2007 to 30 April 2037.

The net loss (both before and after taxation) of the Target Group for the two years ended 31 March 2009 and 2010 amounted to approximately HK\$900,000 and HK\$508,000 respectively. The net liabilities of the Target Group as at 31 March 2010 was approximately HK\$2,258,000.



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## LETTER FROM THE BOARD

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### REASONS FOR THE DISPOSAL

The Group was engaged in investment in energy, precious metals and resources related projects in the PRC. After completion of the acquisition of two gold mines located in Inner Mongolia Autonomous Region on 29 June 2010 and completion of further acquisition of 27% equity interest in 5 gold mines located in Heilongjiang Province, the PRC on 3 August 2010, the Group is more confident towards its mining and production of precious metal business in the PRC. After reviewing the latest business development of the Group and also taking in account the performance of different business segments of the Group, the Directors decided that the Group should focus on the sale, mining and production of precious metals in the PRC. The Group is positive towards the prospects of the natural resources segment and expects continuous growth in demand for gold in the PRC in the near future.

At the time of the issue of the circular of the Company dated 31 May 2010, the Group realized the capital commitment requirement for the Target Group and it is the intention of the Directors that the Group would continue its existing business including the operation of the Target Group and the gold trading business and to explore other investment opportunities in the energy and resources industries that have earning potentials in order to expand its existing operations and to diversify its business for the reason of diversification of its business in energy (oil) and resources (gold) sectors. After the issue of the said circular, the Group has continued to develop the two gold mines and their updated status was disclosed in the announcement of the Company dated 3 August 2010, which the Directors consider encouraging. In addition, after publication of the audited results of the Group on 27 July 2010, the Directors had further reviewed the estimated and actual performance of the Target Group and realized that the sales performance of the Target Group after the issue of the said circular was deteriorating comparing with the same period in previous year which was attributable to the Target Group being unable to source the products to trade at a profitable margin. As the success of the Target Group depends on the ability to source the products with reasonable profit margin, the Directors consider that the future business performance of the Target Group is uncertain. In addition, as compared with the gold trading business, the turnover from the Target Group was substantially lower after the issue of the circular of the Company dated 31 May 2010, the Directors consider the strategy of diversification of business was not satisfactory as originally planned. Having regard to the performance and the business of the Target Group and after various discussions between the Directors after completion of the aforesaid gold mines acquisitions in mid August 2010, the Directors decided that the Group should focus on the sale, mining and production of precious metals in the PRC and thus commenced negotiation with the Purchaser in relation to the Disposal in mid August 2010. Given that (i) the strategy of diversification of business was not satisfactory as expected and the sales performance of the Target Group was deteriorating in the past few months; (ii) the development progress of the Group's gold mines is encouraging; (iii) the gold price trend remains positive; and (iv) the capital contribution commitment required for the Target PRC if it remains as a subsidiary of the Company, the Directors consider that the Group should focus on gold resources related business and as such decide to dispose of the Target Group.

The Directors consider that the Disposal would allow the Group to streamline the business segment of the fuel oil and related supporting and consultation services and redeploy its resources to the acquired gold mine related businesses. It would also enable the management to devote their precious time and efforts to segments of profit and/or greater potential. As the consideration of the Disposal was determined having regard to the audited net liabilities of the Target Group as at 31 March 2010 and the Target Group recorded losses for the two years ended 31 March 2010, the Directors consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The sales proceeds arising from the Disposal will be used as the working capital of the Group.

Upon Completion, members of the Target Group will cease to be the subsidiaries of the Company and the Company will have no more shareholding in the Target Group. The Group will cease its business in the fuel oil and related supporting and consultation services. Accordingly, the financial results of the Target Group will not be consolidated into the Group's financial statements after Completion.

### POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

For illustration purpose, the expected gain to be derived from the Disposal, subject to audit, would amount to approximately HK\$0.5 million, representing the difference between the Purchase Price and the unaudited net liability of Target Group as at 31 July 2010 of approximately HK\$2,373,000 adjusted by the Sale Loan amounting to approximately HK\$15.2 million.

### FINANCIAL AND TRADING PROSPECTS

As disclosed in the annual report of the Company for the year ended 31 March 2010, the Group has been transforming to focus on the sale, mining and production of precious metals in the PRC. Following the completion of the acquisitions as announced on 28 April 2009, 25 January 2010 and 17 May 2010, the Group (through its subsidiaries) is the holder of the exploration permits of 5 mines in Heilongjiang Province, the PRC and the holder of the mining permit of one gold mine in Inner Mongolia Autonomous Region, the PRC. Since then, the Group has taken steps which laid foundations for preparing JORC-compliance reports on mineral resources for the mines in Heilongjiang. Steps have also been taken with the objective of expanding the processing capacity of the PRC subsidiary which holds a gold-mining permit in respect of a mine in Inner Mongolia. The Group's management are positive towards the prospects of the natural resources segment and expects continuous growth in demand for gold in the PRC in the near future. Going forward, the Group will continue its existing business and to explore other investment opportunities in the industry of sale, mining and production of precious metals in order to expand its existing operations.

### LISTING RULES IMPLICATION

Since the applicable percentage ratios are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Purchaser, Mr. Leung, is the Chairman and an executive Director and is accordingly a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Disposal constitutes a connected transaction of the Company, which will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Leung together with his associates are beneficially interested in approximately 22.2% of the issued share capital of the Company as at the Latest Practicable Date. As Mr. Leung has material interest in the Disposal, Mr. Leung and his associates will abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

An Independent Board Committee consisting of all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable. Menlo Capital, the independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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This circular containing, amongst other things, (i) further details of the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Menlo Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Sale and Purchase Agreement; and (iv) a notice of the EGM.

### **EGM**

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders by way of a poll for the transactions contemplated under the Sale and Purchase Agreement. In accordance with the Listing Rules, any vote at the EGM shall be taken by poll. As at the Latest Practicable Date, Mr. Leung together with his associates were beneficially interested in approximately 22.2% of the issued share capital of the Company. As Mr. Leung has material interest in the Disposal, Mr. Leung and his associates will abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

### **RECOMMENDATIONS**

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and the Disposal 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(s) as set out in the notice of EGM to approve the Disposal.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Disposal and the terms of the Sale and Purchase 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 Disposal and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on page 10 of this circular, the letter of advice from Menlo Capital to the Independent Board Committee and the Independent Shareholders set out on pages 11 to 17 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**  
**Yeung Kit**  
*Executive Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED**

**中盈國金資源控股有限公司**

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

(Stock Code: 766)

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE SALE SHARES  
AND  
THE SALE LOAN OF SINO PROSPER GAS LIMITED**

We refer to the circular to the Shareholders dated 28 September 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 Disposal, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular.

Having considered the Disposal and the terms of the Sale and Purchase Agreement and the advice of Menlo Capital in relation thereto as set out from pages 11 to 17 of the Circular, we consider that the terms of the Disposal 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 Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Cai Wei Lun**

*Independent Non-executive Director*

**Leung Wai Cheung**

*Independent Non-executive Director*

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## LETTER FROM MENLO CAPITAL

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*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 Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder which has been prepared for the purpose of inclusion in this circular:*



**Menlo Capital Limited**

Room B-C, 6/F., Sincere Insurance Bldg.,  
6 Hennessy Road, Wanchai, Hong Kong

28 September 2010

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

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE SALE SHARES  
AND  
THE SALE LOAN OF SINO PROSPER GAS LIMITED**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular of the Company dated 28 September 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 on 25 August 2010 (after the trading hours) that the Vendor, being a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loan at a consideration of HK\$13.3 million in accordance with the terms and conditions as set out in the Sale and Purchase Agreement.

Pursuant to Chapter 14A of the Listing Rules, the Disposal constitutes a major transaction for the Company and the Purchaser, Mr. Leung, is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Disposal constitutes a connected transaction of the Company, which will be subject to the Independent Shareholders’ approval requirements. Mr. Leung together with his associates are beneficially interested in approximately 22.2% of the issued share capital of the Company as at the Latest Practicable Date. As Mr. Leung has material interest in the Disposal, Mr. Leung and his associates will abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

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## LETTER FROM MENLO CAPITAL

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### **BASIS OF OUR OPINION**

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 Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to, the announcement of the Company dated 25 August 2010, the Board Letter, the Sale and Purchase Agreement, the unaudited consolidated financial statements of the Target HK for the two years ended 31 March 2009 and 2010 and the consolidated management accounts of the Target Group for the four months ended 31 July 2010 as well as the annual reports of the Company for the two years ended 31 March 2009 and 2010;
- (b) reviewed the performance and financial situation of the Group and the Target Group as well as the reasons and background of the Disposal;
- (c) reviewed the terms of the Sale and Purchase Agreement; and
- (d) confirmed that no third party expert provides any opinion or valuation relevant to the Disposal.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder we have considered the principal factors and reasons set out below:

#### **I. Background and Reasons for the Disposal**

The Group was engaged in investment in energy, precious metals and resources related projects in the PRC. After completion of the acquisition of two gold mines located in Inner Mongolia Autonomous Region on 29 June 2010 and completion of further acquisition of 27%

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## LETTER FROM MENLO CAPITAL

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equity interest in 5 gold mines located in Heilongjiang Province, the PRC on 3 August 2010, the Group is more confident towards its mining and production of precious metal business in the PRC. After reviewing the latest business development of the Group and also taking in account the performance of different business segments of the Group, the Directors decided that the Group should focus on the sale, mining and production of precious metals in the PRC. The Group is positive towards the prospects of the natural resources segment and expects continuous growth in demand for gold in the PRC in the near future.

At the time of the issue of the circular of the Company dated 31 May 2010, the Group realized the capital commitment requirement for the Target Group and it is the intention of the Directors that the Group would continue its existing business including the operation of the Target Group and the gold trading business and to explore other investment opportunities in the energy and resources industries that have earning potentials in order to expand its existing operations and to diversify its business for the reason of diversification of its business in energy (oil) and resources (gold) sectors. After the issue of the said circular, the Group has continued to develop the two gold mines and their updated status was disclosed in the announcement of the Company dated 3 August 2010, which the Directors consider encouraging. In addition, after publication of the audited results of the Group on 27 July 2010, the Directors had further reviewed the estimated and actual performance of the Target Group and realized that the sales performance of the Target Group after the issue of the said circular was deteriorating comparing with the same period in previous year which was attributable to the Target Group being unable to source the products to trade at a profitable margin. As the success of the Target Group depends on the ability to source the products with reasonable profit margin, the Directors consider that the future business performance of the Target Group is uncertain. In addition, as compared with the gold trading business, the turnover from the Target Group was substantially lower after the issue of the circular of the Company dated 31 May 2010, the Directors consider the strategy of diversification of business was not satisfactory as originally planned. Having regard to the performance and the business of the Target Group and after various discussions between the Directors after completion of the aforesaid gold mines acquisitions in mid August 2010, the Directors decided that the Group should focus on the sale, mining and production of precious metals in the PRC and thus commenced negotiation with the Purchaser in relation to the Disposal in mid August 2010. Given that (i) the strategy of diversification of business was not satisfactory as expected and the sales performance of the Target Group was deteriorating in the past few months; (ii) the development progress of the Group's gold mines is encouraging; (iii) the gold price trend remains positive; and (iv) the capital contribution commitment required for the Target PRC if it remains as a subsidiary of the Company, the Directors consider that the Group should focus on gold resources related business and as such decide to dispose of the Target Group. To reflect the principal activities of the Group, the Board proposed in October 2009 to change the name of the Company and the name of the Company has been changed to "Sino Prosper State Gold Resources Holdings Limited" since December 2009.

The Directors consider that the Disposal would allow the Group to streamline the business segment of the fuel oil and related supporting and consultation services and redeploy its resources to the acquired gold mine related businesses. It would also enable the management to devote their precious time and efforts to segments of profit and/or greater potential. As the



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## LETTER FROM MENLO CAPITAL

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consideration of the Disposal was determined having regard to the audited net liabilities of the Target Group as at 31 March 2010 and the Target Group recorded losses for the two years ended 31 March 2010.

The sales proceeds arising from the Disposal will be used as the working capital of the Group.

### *Information on the Target Group*

The Target HK was incorporated in Hong Kong on 26 November 2003 and is principally engaged in investment holding. Its major assets are its investment in the Target PRC. The Target PRC, was established in the PRC on 30 April 2007 and is a 95%-owned subsidiary of the Target HK, is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The registered share capital of the Target PRC is RMB50,000,000 of which the Target HK is responsible for paying up the portion in the amount of RMB47,500,000. The Target HK has made capital contribution of approximately RMB13.2 million (equivalent to approximately HK\$15.2 million) up to the Latest Practicable Date. The term of business for the Target PRC under its business licence is from 30 April 2007 to 30 April 2037.

The net loss (both before and after taxation) of the Target Group for the two years ended 31 March 2009 and 2010 amounted to approximately HK\$900,000 and HK\$508,000 respectively. The net liabilities of the Target Group was approximately HK\$2.3 million as at 31 March 2010.

Upon Completion, members of the Target Group will cease to be the subsidiaries of the Company and the Company will have no more shareholding in the Target Group. The Group will cease its business in the fuel oil and related supporting and consultation services. Accordingly, the financial results of the Target Group will not be consolidated into the Group's financial statements after Completion.

Having considered that the Group has been transforming to focus on the mining and production of precious metals in China as stated in the annual report of the Company for the year ended 31 March 2010, we are of the view that the Disposal would allow the Group to streamline the business segment of the fuel oil and related supporting and consultation services and may redeploy its resources to the acquired gold mine related businesses which is in line with the present business focus of the Group and in the interests of the Company and the Independent Shareholders as a whole despite it is not in the ordinary and usual course of business of the Company.

## **II. Terms of the Disposal**

Pursuant to the Sale and Purchase Agreement, Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued ordinary share capital of the Target HK at Completion and the loan payable by the Target HK to its shareholder amounting approximately HK\$15.2 million immediately before Completion at a consideration of HK\$13.3 million:



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## LETTER FROM MENLO CAPITAL

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### *The Sale and Purchase Agreement*

**Date** 25 August 2010 (after the trading hours)

### **Parties**

Vendor : Sino Prosper Group Limited, a direct wholly-owned subsidiary of the Company

Purchaser : Mr. Leung, the Chairman of the Company and an executive Director and a substantial Shareholder

### *Assets to be acquired*

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loan subject to the terms and conditions as set out in the Sale and Purchase Agreement.

### *Purchase Price*

The Purchase Price is HK\$13.3 million which shall be paid by the Purchaser to the Vendor at Completion.

Having considered that (i) the Purchase Price is HK\$13.3 million represent a premium of approximately HK\$0.5 million over the net value of the Sale Shares and the Sale Loan of approximately HK\$12.8 million, being unaudited net liability of the Target Group as at 31 July 2010 adjusted by the Sale Loan; and (ii) the Target Group was loss making in the two years ended 31 March 2009 and 2010, we consider that the Purchase Price to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### *Closing Conditions*

The sale and purchase of the Sale Shares and the Sale Loan shall be conditional upon (where applicable):

- (i) the compliance by the Company of (or, as the case may be, obtaining of waiver from) the relevant requirements under the Listing Rules (including without limitation the obtaining of the approval from Independent Shareholders in general meeting) as may be applicable to the Sale and Purchase Agreement and the transactions contemplated thereby being fulfilled (or, where applicable, waived) at or before 4:00 p.m. on the Longstop Date; and
- (ii) the settlement of the current accounts between the Target Group and the Group (other than the Target Group), and for the avoidance of doubt, the said current accounts do not include the capital accounts which constitute shareholder's loans owing by the Target Group to the Vendor which constitutes the Sale Loan.

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## LETTER FROM MENLO CAPITAL

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If the Closing Conditions are not fully fulfilled (or, as the case may be, waived (if applicable) by the Purchaser) on or before 4:00 p.m. on the Longstop Date, the Sale and Purchase Agreement shall cease and terminate and none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches.

### *Completion*

Subject to the satisfaction or (where applicable) waiver of all Closing Conditions, Completion shall take place at 4:00 p.m. (Hong Kong time) on the fifth Business Day following the date on which the last Closing Condition is fulfilled or (where applicable) waived (or at such other time and/or date as the Vendor and the Purchaser may agree).

We have reviewed the terms of the Sale and Purchase Agreement, including the Consideration and payment, the conditions precedent and the completion of the Sale and Purchase Agreement. We are of the view that the Sale and Purchase 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 Sale and Purchase Agreement are on normal commercial terms, we are of the view that the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder, are fair and reasonable to Independent Shareholders.

### **III. Financial Effects of the Disposal**

Upon Completion, members of the Target Group will cease to be the subsidiaries of the Company and the Company will have no more shareholding in the Target Group. The Group will cease its business in the fuel oil and related supporting and consultation services. Accordingly, the financial results of the Target Group will not be consolidated into the Group's financial statements after Completion. The financial effects of the Disposal will be as follows:

#### *(i) Earnings*

For illustration purpose, the expected gain to be derived from the Disposal at HK\$13.3 million, subject to audit, would represent a premium of approximately HK\$0.5 million over the aggregated net value of the Sale Shares and the Sale Loan of approximately HK\$12.8 million, being the net amount of and the unaudited net liability of Target Group as at 31 July 2010 of approximately HK\$2.4 million adjusted by the Sale Loan amounting to approximately HK\$15.2 million.

#### *(ii) Equity*

Subject to audit, based to the expected gain to be derived from the Disposal, the equity attributable to equity holders of the Company will be improved by approximately HK\$0.5 million accordingly.

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## LETTER FROM MENLO CAPITAL

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### *(iii) Liquidity*

The Purchase Price is HK\$13.3 million which shall be paid by the Purchaser to the Vendor at Completion. Accordingly, a cash inflow of HK\$13.3 million is expected at Completion.

### **OPINION**

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

1. the Disposal is not in the ordinary and usual course of business of the Company;
2. the Disposal would allow the Group to streamline the business segment of the fuel oil and related supporting and consultation services and redeploy its resources to the acquired gold mine related businesses which is in line with the present business focus of the Group;
3. the Sale and Purchase Agreement is on normal commercial terms;
4. the consideration for the Disposal is fair and reasonable to the Company and the Shareholders; and
5. the improvements of liquidity by cash inflow, earnings and equity in relation to the Disposal are in the interests of the Company and the Independent Shareholders as a whole.

### **RECOMMENDATION**

We are of the view that despite the Disposal is not in the ordinary and usual course of business of the Company, it is in line with the present business focus of the Group and in the interests of the Company and the Independent Shareholders as a whole and that the Sale and Purchase Agreement is on normal commercial terms and the terms of the Sale and Purchase 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 Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Menlo Capital Limited**  
**Michael Leung**  
*Executive Director*

**1. STATEMENT OF INDEBTEDNESS****Borrowings**

As at the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no outstanding borrowings.

**Contingent liabilities**

As at 31 July 2010, the Group had no significant contingent liabilities.

**Capital and other commitments**

As at 31 July 2010, the Group had capital commitments in respect of (i) exploration and evaluation assets amounting to approximately HK\$26,207,276, and (ii) the investment in two joint venture companies amounting to approximately HK\$71,655,092, of which all had been authorized and contracted but not provided for.

In addition, as at 31 July 2010, the Group had operating lease commitments amounting to approximately HK\$2,709,521.

**Disclaimers**

Save as disclosed above, as at the close of business on 31 July 2010, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, or term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptance (other than normal trade bills) or acceptance credits, hire purchase commitments, or mortgages, charges, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internal generated funds, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

**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 Group. 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:

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

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 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”)**

	<b>Capacity</b>	<b>Number of ordinary Shares (Note 1)</b>	<b>Approximate percentage of total issued Shares (Note 2)</b>
Executive Directors:			
Mr. Leung	Beneficial owner	1,501,600,000 (Note 3)	22.21

*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 which remained outstanding as at the Latest Practicable Date.
3. These 1,501,600,000 Shares, were attributable to Mr. Leung. Among these Shares, (a) 1,493,600,000 Shares were beneficially owned by Mr. Leung, and (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.

**(ii) Interests and short positions in underlying Shares**

<b>Name</b>	<b>Capacity</b>	<b>Number of underlying Shares (Note 1)</b>	<b>Approximate percentage of total issued Shares (Note 1)</b>
Mr. Leung	Beneficial owner	8,000,000 (Note 2)	0.12
Yeung Kit	Beneficial owner	6,400,000 (Note 3)	0.09
Cai Wei Lun	Beneficial owner	3,400,000 (Note 4)	0.05

*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 which remained outstanding as at the Latest Practicable Date.
2. Share options carrying rights to subscribe for 8,000,000 Shares were granted to Mr. Leung 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 30 September 2009, he had 6,400,000 outstanding share options.
4. 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.

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)
FRM LLC	Investment manager (Note 3)	455,860,000 (L)	6.74
Invesco Hong Kong Limited	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 which remained outstanding as at the Latest Practicable Date.

3. Among the above Shares, 197,310,000 Shares were attributable to Fidelity Management and Research Company and 258,550,000 Shares were attributable to Fidelity Management Trust Company and 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 the 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 Sale and Purchase Agreement;
- (b) the agreement dated 17 May 2010 and entered into between Victor Bright Investment Limited (維嘉投資有限公司), Ms. Gao Liyan (高麗艷) and Mr. Song Yang (宋陽) in respect of the 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.) at a consideration of RMB24 million (subject to adjustment);
- (c) 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);
- (d) 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;
- (e) the acquisition agreement dated 17 April 2009 and entered into between Sino Prosper (States Gold) Investments 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;



- (f) the Sale and Purchase 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 Sale and Purchase Agreement made by or on behalf of Mr. Leung to Sino Prosper Resources Limited at the purchase price of approximately RMB5,280,000;
- (g) 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;
- (h) a supplemental agreement dated 23 March 2010 and entered into between the Company and Samsung Securities (Asia) Limited in relation to the placing price as referred to in (g) above;
- (i) 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. Lung 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;
- (j) 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;
- (k) 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;
- (l) 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;
- (m) the acquisition agreement dated 10 June 2008 and entered into between Sino Prosper 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;
- (n) a supplemental agreement dated 27 August 2008 and entered into between Sino Prosper Minerals Investment Limited and Mr. Leung in relation to the agreement as referred to in (m) above;

- (o) a supplemental agreement dated 9 October 2008 and entered into between Sino Prosper Minerals Investment Limited and Mr. Leung in relation to the extension of the long stop date under the agreement as referred to in (n) above to 31 March 2009;
- (p) a supplemental agreement dated 27 February 2009 and entered into between Sino Prosper Minerals Investment Limited and Mr. Leung in relation to a further extension of the long stop date under the agreement as referred to in (o) above to 31 December 2009;
- (q) a termination deed dated 11 May 2009 and entered into between Sino Prosper Minerals Investment Limited and Mr. Leung in relation to the termination of the agreements as referred to in (m) to (p) above;
- (r) 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; and
- (s) 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 (r) above to 28 February 2009.

## 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 2010, 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 was interested in over 10% 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 actual or potential competition with the mining business of the Group.

Save as disclosed above, during the year 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 Group, or were proposed to be acquired, or disposed of by, or leased to any member of Group since 31 March 2010, the date of which the latest audited financial statements of the Group were made up.

**8. DIRECTORS' INTERESTS IN CONTRACTS**

Save for the Sale and Purchase Agreement in which Mr. Leung is the purchaser, as at the Latest Practicable Date, none of the Directors (save for Mr. Leung) is materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

**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 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 Group.

**11. EXPERT'S QUALIFICATION AND CONSENT**

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Menlo Capital	a licensed corporation to carry out business in type 6 regulated activity (advising on corporate finance) under the SFO

As at the Latest Practicable Date, Menlo Capital did not have any shareholding, directly or indirectly, in any member of the 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 Group.

As at the Latest Practicable Date, Menlo Capital did not 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 Group.

Menlo Capital 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.

Menlo Capital did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2010, 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 Institute of Certified Public Accountants, a member 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 15 October 2010.

- (a) the Sale and Purchase 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 2010;
- (d) 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;
- (e) the letters of consent referred to under the paragraph headed "Expert's qualifications and consent" in this Appendix;

- (f) a copy of each of the material contracts referred to in the paragraph headed “Material contracts” in this Appendix;
- (g) the service contracts referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix; and
- (h) the circular of the Company dated 31 May 2010 in relation to a major transaction and the circular of the Company dated 7 June 2010 in relation to a discloseable and connected transaction.

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## NOTICE OF EGM

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### SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED 中盈國金資源控股有限公司

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

(Stock Code: 766)

**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 15 October 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 (with or without modification):

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the conditional agreement (“Sale and Purchase 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 25 August 2010 and entered into between (i) Mr. Leung Ngai Man (梁毅文), as purchaser (“the Purchaser”); and (ii) Sino Prosper Group Limited (中盈集團有限公司) as vendor (“the Vendor”), in relation to the sale and purchase of the entire issued ordinary share capital in Sino Prosper Gas Limited (中盈燃氣有限公司) (“Target HK”) and the loan payable by Target HK and/or CNPC Sino Prosper Petroleum and Gas Co. Ltd. (中油中盈石油燃氣銷售有限公司) (together “the Target Group”), brief details of which are set out in the circular (“Circular”) dated 28 September 2010 of the Company (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 implement the Sale and Purchase Agreement and the transactions contemplated thereby 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).”

By Order of the Board  
**Sino Prosper State Gold Resources  
Holdings Limited**  
**Yeung Kit**  
*Executive Director*

Hong Kong, 28 September 2010

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## NOTICE OF EGM

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*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 and Mr. Ng Kwok Chu, Winfield, and the independent non-executive Directors of the Company are Mr. Cai Wei Lun and Dr. Leung Wai Cheung.*