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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 advisers.

**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(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**FURTHER EXTENSION OF LONG STOP DATE  
IN RESPECT OF  
A MAJOR AND CONNECTED TRANSACTION**

**Financial Adviser to the Company**



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**Nuada Limited**

*Corporate Finance Advisory*

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A letter from the Board is set out on pages 5 to 16 of this circular.

A notice convening the extraordinary general meeting of Sino Prosper State Gold Resources Holdings Limited to be held at BC Boardroom 2-3, 1/F., Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong at 10:00 a.m. on Monday, 30 September 2013 or any adjournment thereof is set out on pages 32 to 33 of this circular. A proxy form for use in the extraordinary general meeting is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26 Floor, 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 holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

3 September 2013

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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:*

“2012 December Announcement”	the announcement of the Company dated 28 December 2012 in relation to the postponement of despatch of circular in respect of the major and connected transaction
“Acquisition”	the acquisition of the Sale Share pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 19 December 2011 and entered into between the Purchaser and the Vendor in respect of the Acquisition, as amended and supplemented by (i) an agreement dated 28 December 2012 and entered into between the Purchaser and the Vendor in respect of the Acquisition; and (ii) the Supplemental Agreement
“Announcements”	the announcements of the Company dated 30 December 2011, 28 September 2012 and the 2012 December Announcement in relation to, among others, the major and connected transaction
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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
“Competent Person”	a person satisfying the requirement of Rule 18.21 and 18.22 of the Listing Rules
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Consideration”	the consideration of the Acquisition being RMB550 million
“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$282.21 million, that may be issued by the Company in favour of the Vendor as part of the consideration for the Acquisition
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be convened and held at BC Boardroom 2-3, 1/F., Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong at 10:00 a.m. on Monday, 30 September 2013, the notice of which is set out on pages 32 to 33 of this circular, or any adjournment thereof
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established for the purpose of advising the Independent Shareholders in relation to the further extension of the Long Stop Date, comprising all of the independent non-executive Directors, namely Mr. Niu Zhihui, Mr. Cai Wei Lun and Mr. Zhang Qingkui
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the further extension of the Long Stop Date
“Independent Shareholders”	Shareholders other than the Vendor and his 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”	the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
“Latest Practicable Date”	30 August 2013, being the latest practicable date prior to 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
“Long Stop Date”	the date by which the conditions precedent to the Completion of the Acquisition has not been fulfilled (or as the case may be, waived by the Purchaser) or such later date as the Vendor and the Purchaser may agree
“Mining Rights”	the mining rights which are or will be held by Target PRC after completion of the Reorganisation, and which are currently held by the companies or bodies owned or controlled by Original Target PRC Shareholder

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## DEFINITIONS

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“Mr. Leung” or “Vendor”	Mr. Leung Ngai Man, the Chairman of the Company and an executive Director
“Original Target PRC Shareholder”	the original shareholder of the Target PRC, which is owned entirely by an Independent Third Party and his associate(s)
“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
“Promissory Notes”	promissory notes in the principal amount of HK\$245.40 million to be executed by the Purchaser (or the Company (if mutually agreed by both parties)) in favour of the Vendor for the purpose of settling partially the consideration for the Sale Share under the Acquisition Agreement
“Purchaser”	Sino Prosper State Gold HK Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company and the purchaser named under the Acquisition Agreement
“Reorganisation”	the reorganisation as contemplated under the terms of the framework agreement, which include the transfer of Mining Rights to the Target PRC, the Target HK acquisition (at a purchase price of RMB80 million) of 77% interests in the Target PRC and the increase in the registered capital of Target PRC from RMB10 million to the RMB100 million
“Sale Loan”	all obligations, liabilities and debts owing or incurred by Target BVI to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Acquisition Completion and as at the date of the Acquisition Agreement, amounted to HK\$15,671
“Sale Share”	one ordinary share having a nominal value of US\$1 in the issued share capital of Target BVI, representing the entire issued share capital of Target BVI
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Supplemental Agreement”	the agreement of the Vendor and Purchaser dated 30 August 2013 to further extend the Long Stop Date for the Completion of the Acquisition to 31 December 2014
“Target BVI”	Success State Development Limited, a company incorporated in the BVI, and as at the date of this circular, wholly and beneficially owned by the Vendor
“Target HK”	Hong Kong Kai Lung Mineral Products Investments Limited (香港佳龍礦產投資有限公司), a company incorporated in Hong Kong and as at the date of this circular, wholly and beneficially owned by Target BVI
“Target Group”	collectively, Target BVI, Target HK and the Target PRC
“Target Mine”	Qing Jiao Gold Mine (箐腳金礦), the mining area of approximately 0.6033 sq. km. of a mining site located at Xiongwu region, Xingyi City, Guizhou Province (貴州省興義市雄武地區), the PRC
“Target PRC”	貴州省黔西南州龍宇礦業有限公司 (Guizhou Qianxi’nan Prefecture Longyu Mining Co., Ltd*), a limited liability company established in the PRC and in process to become a sino-foreign joint venture established under the PRC laws
“km <sup>2</sup> ” or “sq. km.”	square kilometres
“%”	per cent

\* *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:*

Mr. Leung Ngai Man (*Chairman*)  
Mr. Sung Kin Man (*Chief Executive Officer*)  
Mr. Ng Kwok Chu, Winfield

*Independent non-executive Directors:*

Mr. Niu Zhihui  
Mr. Cai Wei Lun  
Mr. Zhang Qingkui

*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

3 September 2013

*To the Shareholders and, for information only,  
the holders of outstanding options and warrants of the Company*

Dear Sir or Madam,

**FURTHER EXTENSION OF LONG STOP DATE  
IN RESPECT OF  
A MAJOR AND CONNECTED TRANSACTION**

**INTRODUCTION**

References are made to the Announcements and the Company's announcement dated 30 August 2013 in relation to, among others, the major and connected transaction.

The primary purpose of this circular is to provide you with, among other matters, (i) details of the further extension of the Long Stop Date; and (ii) a notice convening the EGM.

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## LETTER FROM THE BOARD

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### FURTHER EXTENSION OF THE LONG STOP DATE

#### The Acquisition Agreement

On 19 December 2011, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has agreed to dispose of the Sale Share and the Sale Loan, at a total consideration of RMB550 million.

As disclosed in the 2012 December Announcement, if any of the conditions precedent to the Completion of the Acquisition as set out therein has not been fulfilled (or as the case may be, waived by the Purchaser) on or before 30 September 2013 or such later date as the Vendor and the Purchaser may agree, the Acquisition Agreement shall cease and terminate. As additional time is required for the Company to obtain the technical report for the Target Mine (which is one of the conditions precedent to the Completion of the Acquisition) and to effect the Reorganisation, the Vendor and the Purchaser have entered into a Supplemental Agreement on 30 August 2013 to further extend the Long Stop Date for the Completion of the Acquisition to 31 December 2014. Save as the aforementioned, all other terms and conditions of the Acquisition Agreement remain in full force and effect. The Directors confirm that as at the Latest Practicable Date, there has not been any antecedent breach by either the Vendor or the Purchaser under the Acquisition Agreement.

#### Conditions precedent

Completion of the Acquisition is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) all necessary governmental and other consents and approvals having been obtained on the part of the Target Group, the Vendor and the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereby;
- (b) the Purchaser being satisfied that the Vendor's representations and warranties contained in the Acquisition Agreement remaining true and correct in all respects and the Vendor not having breached its obligations under the Acquisition Agreement;
- (c) the Listing Committee of the Stock Exchange granting listing of, and the permission to deal, in the Conversion Shares;
- (d) the passing of the resolution(s) by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Acquisition Agreement and the transactions contemplated thereafter, including but not limited to the issue to the Vendor of the Convertible Bonds (upon exercise of the conversion right attaching to the Convertible Bonds) and the Promissory Notes and the allotment and issue to the Vendor of the Conversion Shares (upon conversion of the Convertible Bonds);
- (e) the delivery to the Purchaser of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the Acquisition Agreement and the transactions contemplated thereby and the delivery to the Purchaser of a



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## LETTER FROM THE BOARD

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BVI legal opinion (in form and substance satisfactory to the Purchaser) from a BVI legal adviser appointed by the Purchaser in relation to the due incorporation and valid subsistence of Target BVI;

- (f) the Purchaser being satisfied with the results of the due diligence review (at the cost of the Vendor) to be conducted on the assets, liabilities, operations (including without limitation that the Target PRC has been duly established and validly subsisting, there exists no encumbrance, restriction and/or prejudice to the ownership of the material assets of the Target PRC, such as exploration and/or mining rights of the relevant mineral resources and the Target PRC has obtained all the necessary approvals, consents and/or permits in connection with its operation and subsistence and a Chinese standard feasibility report (the “**Feasibility Report**” (選礦冶煉報告)) sufficient to obtain the necessary mining licenses and to include Chinese standard resources, metallurgical, environment, economic and other reports common for such Feasibility Report (in the form and substance satisfactory to the Purchaser) issued by China Changchun Gold Design Institute\*(中國長春黃金設計院) in relation to the Target Mine) and affairs of the Target Group;
- (g) the completion of the Reorganisation and the obtaining of all the relevant consents, approvals and completion of registration regarding the Reorganisation;
- (h) the obtaining of a technical report in compliance with JORC (in the form and substance satisfactory to the Purchaser) from a Competent Person designated by the Purchaser demonstrating the indicated and measured gold resources in the Target Mine to be not less than 13 tonnes;
- (i) the obtaining of a valuation report (in form and substance satisfactory to the Purchaser) from a valuer acceptable to by the Purchaser and showing the aggregate value of the Target Mine to be not less than RMB720 million (equivalent to approximately HK\$883.44 million);
- (j) upon the completion of the Reorganisation, the validity period of the mining licenses in relation to the Mining Rights of the Target Mine and other mines held by the Target PRC after the Reorganisation should not end earlier than 31 December 2014; and
- (k) there being no debts and liabilities due from the Target Group to any third party immediately before Completion (save for the shareholder’s loan payable to the Vendor by the Target BVI, i.e. the Sale Loan).

The Purchaser has the right to waive all of the above conditions in part or in full, except for conditions (a), (c) and (d). In the event that the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 30 September 2013 or such later date as the Vendor and the Company may agree in writing, the Acquisition Agreement shall cease and terminate and neither party shall have any obligations towards each other, other than any antecedent breach and the Vendor has to refund the deposits (without interest) to the Purchaser within 20 business days after the above termination. The Directors confirm that as at the Latest Practicable Date, none of the above conditions have been fulfilled and the Company has no intention to waive any of the above conditions which are capable of being waived.

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## LETTER FROM THE BOARD

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### **Reasons for prolonged delay of the Acquisition**

As aforementioned, one of the conditions precedent to the Completion is certain Reorganisation procedures being effected. Under the Reorganisation, the Original Target PRC Shareholder is required to obtain renewed exploration/mining rights of the existing contiguous gold properties and to integrate these mining rights into the mining permit of the Target Mine, which is held (and was at the time of the entering into the Acquisition Agreement) by Target PRC. Upon the completion of the Reorganisation, Target HK, the Original Target PRC Shareholder and the new 10% shareholder of Target PRC agree to increase registered capital of the Target PRC in proportion to their shareholdings in Target PRC. The then registered capital and paid up capital of the Target PRC has been agreed to be increased to RMB100 million.

In April 2013, the Group received the updated reports supplied by the Original Target PRC Shareholder and the PRC legal advisers to the Company in connection with the Acquisition. It is noted that the Original Target PRC Shareholder has already submitted the applications to the local land and resources bureau for obtaining the renewed exploration/mining rights of the existing contiguous gold properties and integrating these mining rights into the mining permit of the Target Mine in 2011. To the best of the knowledge of the Directors, each renewal term of the exploration/mining rights is subject to the administrative decision of the local land and resource bureau and there is no specific restriction or limitation on the number of times the exploration/mining rights may be renewed. As advised by the PRC legal advisers, the Reorganisation is subject to and conditional upon, among others, (i) the obtaining of the renewed exploration/ mining rights of the existing contiguous gold properties from the Department of Land and Resources of Guizhou Province; and (ii) the Department of Land and Resources of Guizhou Province and/or the Ministry of Land and Resources of the PRC granting the approval for the transfer of Mining Rights to the Target PRC. As advised by the Vendor after making reasonable enquiries with the Original Target PRC Shareholder, the renewed exploration/ mining rights of the existing contiguous gold properties is expected to be obtained in or before June 2014. Further details of the proposed timetable of the Acquisition, please refer to the paragraph headed "Proposed timetable" below. Since the Reorganisation has been in progress and the Reorganisation is subject to approvals by various PRC authorities of different levels, the time taken for the Reorganisation is longer than originally expected. The Company will closely monitor the progress of the Reorganisation with the Vendor.

In April 2013, the Group also engaged a qualified Competent Person with a view to conduct the necessary technical evaluation at the Target Mine and the contiguous gold properties in Guizhou Province. The Vendor also appointed a local geological and resource survey institute to conduct geological survey and resource estimation. As the Reorganisation has not yet been completed, it was not practicable to allow survey activities to be conducted and the preparation of the valuation report on the project of Target Mine would only commence after the technical report is available. Moreover, lingering drought conditions have emerged in the severe dry weather in Guizhou Province since June 2013. The local government has restricted the water consumption for industrial activities so as to guarantee water supply for domestic use. Accordingly, the drilling and underground sampling is impracticable to be conducted at current stage because such drilling and sampling involves the use of water and is subject to the water supply restriction imposed by the local government. Up to the Latest Practicable Date, the Company is not aware of a time limit for the water supply restriction imposed by the local government. When there is material progress of the Reorganisation, the Competent Person will (among other steps, make reference to the reports conducted by the said local

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## LETTER FROM THE BOARD

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institute) prepare and issue a JORC-compliant independent technical report which will be included in the circular to be despatched by the Company to Shareholders in connection with the extraordinary general meeting to be convened to consider and approve (if so approved) the Acquisition Agreement.

The Company is committed to promoting good corporate governance, with the objectives of the maintenance of responsible decision making; the improvement in transparency and disclosure of information to shareholders; the continuance of respect for the rights of shareholders; and the recognition of the legitimate interests of the shareholders. As such, the Board considers that it is in the interests of the Company and the Shareholders as a whole to convene the EGM for the purpose to consider and if thought fit, approve the further extension of the Long Stop Date. Under the Supplemental Agreement, the further extension of the Long Stop Date will be subject to the approval of the Independent Shareholders at the EGM.

For the avoidance of doubt, the purpose of convening the EGM is solely confined to the approval by the Independent Shareholders for the further extension of the Long Stop Date only. Another extraordinary general meeting will be convened separately at a later stage for the purpose of considering, and if thought fit, approving, among other matters, the Acquisition Agreement and the transactions contemplated thereunder.

### UPDATED INFORMATION ON THE TARGET GROUP AND TARGET MINE

#### The Target Group

Target BVI is a company incorporated in the BVI and is wholly and beneficially owned by the Vendor. Target BVI is principally engaged in investment holding. The sole asset of Target BVI is the entire issued capital of Target HK, which is an investment holding company and is expected to own 77% of the registered and paid up capital of the Target PRC.

#### The Target Mine

Target Mine is located at Xiongwu region, Xingyi City, Guizhou Province, the PRC\* (中國貴州省興義市雄武地區) with mining area amounting approximately 0.6033 sq.km. The Mining Permit of the Target Mine held by the Target PRC for the mining of gold was granted by the Department of Land and Resources, the PRC and is valid for a period between July 2005 and July 2015. The predominant resources in Target Mine are various kinds of metals including gold.

As advised by the Vendor, there has not been any change in the operation of the Target Group and Target Mine since the date of the Acquisition Agreement.

#### Update on the status of Target Mine

As disclosed in the annual report of the Company for the year ended 31 March 2013, it was estimated that the potential quantity of metal content within the area of 0.6033 km<sup>2</sup> permitted by the mining right amounted to approximately 13.6 tonnes and the aggregate potential quantity of metal content of the remaining four mining rights to be consolidated amounted to approximately 52 tonnes, as set out in an exploration and development report (the “**Exploration and Development Reports**”) on the gold mine located in Xiongwu region, Xingyi City, Guizhou Province (貴州省興義市雄武地區), dated February 2011 and February 2013 and both prepared by a domestic geological exploration institute at the request of the Target Company. The

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## LETTER FROM THE BOARD

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domestic geological exploration institute is a unit under the Provincial Government carrying out the geological and mineral resources exploration work. The Exploration and Development Reports were made in accordance to Chinese resources reporting standard.

In May 2013, the Company received a preliminary local report (the “**Preliminary Report**”) dated April 2013 and compiled by an independent local geological and resource survey institute appointed by the Vendor. The local geological and resource survey institute is independent of the domestic geographical exploration institute which prepared the Exploration and Development Reports. The local geological and resource survey institute is a qualified and approved Class-A Chinese independent geological consultant. According to the Preliminary Report under the Chinese resources reporting standard (which is however not prepared by a Competent Person), it is indicated that the quantity of gold resources in the Target Mine is about 13.6 tonnes and such initial survey was in line with the Exploration and Development Reports prepared by the aforesaid domestic geological exploration institute. These resources estimates were based on the field inspection and underground sampling data by making reference to the Exploration and Development Reports at the respective dates. No JORC-compliant mining report was commissioned for the Target Mine and the contiguous gold properties up to the Latest Practicable Date.

For information purpose only, JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of matters such as borehole spacing. Instead it emphasises the principles of transparency, materiality and the role of the Competent Person. When combined with its professional standard, the Chinese code is more prescriptive but does not include the role of the Competent Person. The Chinese code suggests that in terms of broad categorisation, the levels of geological confidence ascribed to measured and indicated resources are quite similar to JORC. The Competent Person considers the range of borehole spacing, thickness cut-offs and quality limitations that are enforced by the Chinese code would generally indicate a similar level of geological knowledge as under the JORC code, the resulting resources classification would be dependent on the particular parameters of the individual resource.

The Preliminary Report was prepared based on the field inspection and underground sampling data and by making reference to the Exploration and Development Reports while the technical report will be issued by the Competent Person after conducting more exploration programs, such as trenches and holes-drilling with detailed sampling. Given that (i) the Reorganisation was not completed; and (ii) the renewal application of the exploration/ mining rights of the existing contiguous gold properties are as at the Latest Practicable Date, in progress which do not allow in-depth drilling, mapping and geochemical sampling, it was not practicable to allow survey activities to be conducted by the Competent Person. The Competent Person will prepare and issue JORC-compliant independent technical report by making reference to the data stated in report of which is prepared by the local geological and resource survey institute. Although the Preliminary Report was based on field inspection and underground sampling data and by making reference to the Exploration and Development Reports which work done is less than a technical report and the in-depth drilling, mapping and geochemical sampling are yet to be done, the Directors (excluding the independent non-executive Directors whose advice are in the section headed “Letter from the Independent Board Committee” in this circular) are of the view that the Preliminary Report provides a basis for the Shareholders to consider whether or not to extend the Long Stop Date given that (i) the local geological and resource survey institute is a qualified and approved Class-A Chinese independent geological consultant; (ii) the local geological and resource survey institute has at least performed field inspection and underground sampling data which can be used as basic

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## LETTER FROM THE BOARD

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reference; and (iii) the Preliminary Report has made reference to the Exploration and Development Reports which were prepared by the domestic geological exploration institute, a unit under the Provincial Government carrying out the geological and mineral resources exploration work.

Based on a preliminary report (the “**Preliminary Valuation Report**”) provided by an independent valuer, the valuation for the mining right of Target Mine as at 31 July 2013 was RMB940 million, which preliminary valuation is subject to, among other matters, the technical report on the Target Mine to be prepared by a Competent Person, further physical inspection by the valuer and the valuer’s formal valuation report. As such preliminary valuation was based on the resource estimation stated in the Exploration and Development Reports which were prepared by the domestic geological exploration institute, the Company will arrange the independent valuer to issue a formal valuation report on the Target Mine to be included in the circular regarding the Acquisition. Furthermore, under the Acquisition Agreement, the Consideration of RMB550 million is subject to adjustment. In the event that the valuation for the Target Mines as assessed by the independent valuer is determined to be less than RMB720 million and the metal gold resources in the Target Mine indicated in the technical report prepared by the Competent Person are found to be less than 13 tonnes (indicated and measured under JORC Code), i.e. condition (h) and (i) under the paragraph headed “Conditions Precedent”, the Purchaser has the right (but not obligation) to refuse to proceed to Completion, and the Purchaser and the Vendor may further negotiate to re-determine the Consideration. The Directors (excluding the independent non-executive Directors whose advice are in the section headed “Letter from the Independent Board Committee” in this circular) consider that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As there is no Competent Person report made available to the valuer, the Preliminary Valuation Report did not follow any valuation code as specified under Chapter 18 of the Listing Rules as it is a preliminary estimate designed to meet the immediate requirement of the Company to understand the investment value of the Target Mine. The preliminary valuation report was prepared by the valuer, a qualified Competent Evaluator as defined under the Listing Rules, under the reporting standard of International Valuation Standards.

Following the availability of a Competent Person report to be provided in the future, the subsequent valuation report to be included in a circular will be prepared under the acceptable valuation code under the Listing Rules.

The Directors are of the view that the Preliminary Valuation Report only provides a general reference because the technical report is not available at the moment. However, as the valuer has followed all generally accepted procedures and practices under the reporting standard of International Valuation Standards in producing the Preliminary Valuation Report and referred to the Preliminary Report for the quantity of the resources, the Directors are of the view that the Preliminary Valuation Report was prepared under a reliable and reasonable basis.

Taking into account that the exploration/mining rights of the existing contiguous gold properties are required to be integrated into the mining permit of the Target Mine and the potential aggregate gold metal resources of the existing contiguous gold properties amounted to approximately 52 tonnes (as set out in the Exploration and Development Reports), the Board is of the view that such consolidation of mining rights and the Completion of the Acquisition will enable increase in its gold reserves and resource and have positive impact on the business of the Group as a whole.

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## LETTER FROM THE BOARD

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**Shareholders and potential investors should be aware that the Company has not conducted technical due diligence or valuation on Target Mine. Any failure in discovering gold resources in the Target Mines to be less than 13 tonnes may adversely affect the investment return of the Acquisition, in particular, exploration, development and production risk as well as operation and environmental and sovereign risk may occur in the Target Mines. Normal market risk conditions also apply including commodity price, currency fluctuations, supply and demand and general economic outlook. There is a risk that following a technical due diligence on the Target Mine, the Company may not proceed to Completion on the basis that the result is not satisfactory to the Company.**

The Company will, up to Completion, continue to conduct due diligence on the assets, liabilities, operations and affairs and the feasibility of the business plan of the Target Group at the Completion, which include without limitation, the Target PRC is permitted to carry on mining and exploration operations.

According to the PRC legal opinion obtained by the Group, the mining permit of the Target Mine held by the Target PRC was granted by the Ministry of Land and Resources, the PRC and is valid for a period between July 2005 and July 2015 and there are not any legal obstacles for the renewal of mining right of the Target Mine held by the Target PRC. However, as advised by the Company's PRC legal adviser, the successful renewal of the mining permits is subject to the applicable PRC rules and regulations at the time of applying for the renewal and/or relevant licences and the administrative decision of the Ministry of Land and Resources of the PRC.

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## LETTER FROM THE BOARD

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### Proposed timetable

Set out below is the proposed timetable in relation to the Acquisition which is indicative only and is subject to change due to factors including the Reorganisation which involves vetting and examination by local governmental departments at different levels in Guizhou Province and the outcome of the approval.

	<b>Event</b>	<b>Expected timeframe</b>
(i)	To obtain the renewed exploration/ mining rights of other existing contiguous gold properties	In the progress and expect to be completed before June 2014
	To integrate the above mining rights into the Mining Permit of the Target Mine	
	To perform due diligence review on the Target PRC	
	To undergo the Reorganisation as contemplated under the terms of the framework agreement, which include the transfer of Mining Rights to the Target PRC, the Target HK acquisition by a purchase price of RMB80 million of 77% interests in the Target PRC and the increase in the registered capital of Target PRC from RMB10 million to the RMB100 million	
(ii)	Reorganisation completed	Before June 2014
(iii)	To obtain the technical report of the Target Mine	September 2014
(iv)	To obtain valuation on the exploration and/or mining rights held by Target PRC	Late September 2014
(v)	To submit the circular to the Stock Exchange for clearance	October 2014
(vi)	To despatch circular to the Shareholders	November 2014

In view of (i) all required documents have been submitted to the local land resource bureau for the renewal of exploration/mining rights since 2011; (ii) the Original Target PRC Shareholder closely liaises with the local land resource bureau in relation to the progress of the renewal of exploration/mining rights; and (iii) the Directors have closely monitored the progress of the Reorganisation with the Vendor and held various discussions with the Company's PRC legal advisers for understanding the procedures of renewal of exploration/mining rights, the Directors (excluding the independent non-executive Directors whose advice are in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that the above expected time for obtaining the renewed exploration/mining rights as advised by the Original Target PRC Shareholder is reasonable and reliable.

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## LETTER FROM THE BOARD

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Pursuant to the terms of the Acquisition Agreement, a refundable deposit of RMB120 million had been paid by the Purchaser to the Vendor within 30 business days after the entering into the Acquisition Agreement. In the event that the Acquisition Agreement shall cease and terminate, neither party shall have any obligations towards each other (other than any antecedent breach) and the Vendor has to refund the deposit without interest to the Purchaser within 20 business days after such termination.

If the Completion does not take place on or before the new Long Stop Date, the Company will fully evaluate the progress of fulfillment of the conditions precedent and assess the feasibility of the Acquisition. Should there be material progress of the Acquisition and the Directors (excluding the independent non-executive Directors whose advice are in the section headed “Letter from the Independent Board Committee” in this circular) considers that it is in the interests of the Company and the Shareholders as a whole to further extend the Long Stop Date, the Company will provide further information concerning the progress of the Acquisition and another extraordinary general meeting will be convened to seek the approval of the Independent Shareholders for the further extension of the Long Stop Date (if any).

Notwithstanding the prolonged delay of the Acquisition which is beyond the control of the Company, on the basis that (i) the Acquisition is in line with the existing business of the Group and the Group’s major revenue was derived from sales of gold which accounted for approximately 67.8% of the Group’s total revenue for the latest financial year; (ii) the management are of the view that it is the administrative and procedural matter for the local land and resource bureau to take time to renew the exploration/mining rights and the Reorganisation has been in progress and there are no legal obstacles for renewal of mining rights of the Target Mine as advised by the Original Target PRC Shareholder and the PRC legal adviser; (iii) based on the industry experience of management and with reference to the Preliminary Report (which is issued by the qualified and approved Class-A Chinese independent geological institute), the consolidation of the Target Mine and the potential aggregate gold metal resources of the existing contiguous gold properties amounted to approximately 52 tonnes after the Reorganisation is estimated to have an abundant reserve of gold resources which in turn enables the Group to diversify its portfolio and bring favourable returns to the Group; (iv) the Company will continue to conduct due diligence on the Target Group; (v) the Completion is conditional upon and subject to the fulfillment of the conditions precedent under the Acquisition Agreement; (vi) there is no material loss incurred if the Acquisition does not proceed except for the opportunity cost in relation to the refundable deposit which may provide approximately RMB4.5 million interest income for the time deposit as advised by the Independent Financial Adviser; and (vii) the refundable deposit was paid to secure the Vendor’s agreement to enter into the Acquisition Agreement so as to ensure the Target Mine would not be sold to other party(ies), the Directors (excluding the independent non-executive Directors whose advice are in the section headed “Letter from the Independent Board Committee” in this circular) consider that the further extension of Long Stop Date is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

### GENERAL INFORMATION

Since the Vendor is a connected person (as defined under the Listing Rules) of the Company and deemed to be interested in the Acquisition, the Vendor and his respective associates will voluntarily abstain from voting on the resolution to approve the further extension of the Long Stop Date at the EGM.



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## LETTER FROM THE BOARD

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The EGM will be convened at which resolution will be proposed to seek the approval of the Independent Shareholders by way of a poll for the further extension of the Long Stop Date. Any vote exercised by the Independent Shareholders at the EGM shall be taken by poll. In the event that the Independent Shareholders vote down the further extension of Long Stop Date, the Vendor will be obligated to refund the deposit of RMB120 million (without interest) to the Purchaser within twenty business days after such termination pursuant to the term of the Acquisition Agreement and the Acquisition will not proceed.

**As the Completion of the Acquisition is subject to, among other things, the approval of the further extension of the Long Stop Date and the fulfillments of conditions precedents to the Completion of the Acquisition, and hence the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

### EGM

A notice of the EGM is set out on pages 32 to 33 of this circular. A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish.

### RECOMMENDATION

The Directors (excluding the independent non-executive Directors whose advice are in the section headed "Letter from the Independent Board Committee" in this circular) consider that it is in the best interests of the Company and the Shareholders as a whole to convene the EGM for the purpose to consider, and if thought fit, approve the further extension of Long Stop Date and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the further extension of the Long Stop Date.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser to this circular. The Board has noted that the Independent Financial Adviser is of the opinion that the further extension of Long Stop Date is not fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, after taking into account (i) the Acquisition is in line with the existing business of the Group and the Group's major revenue was derived from sales of gold which accounted for approximately 67.8% of the Group's total revenue for the latest financial year; (ii) the management are of the view that it is the administrative and procedural matter for the local land and resource bureau to take time to renew the exploration/mining rights and the Reorganisation has been in progress and there are no legal obstacles for renewal of mining rights of the Target Mine as advised by the Original Target PRC Shareholder and the PRC legal adviser; (iii) based on the industry experience of management and with reference to the Preliminary Report (which is issued by the qualified and approved Class-A Chinese independent geological institute), the consolidation of the Target Mine and the potential aggregate gold metal resources of the existing contiguous gold properties amounted to approximately 52 tonnes after the Reorganisation is estimated to have an abundant reserve of gold resources which in turn

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## LETTER FROM THE BOARD

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enables the Group to diversify its portfolio and bring favourable returns to the Group; (iv) the Company will continue to conduct due diligence on the Target Group; (v) the Completion is conditional upon and subject to the fulfillment of the conditions precedent under the Acquisition Agreement; (vi) there is no material loss incurred if the Acquisition does not proceed except the opportunity cost in relation to the refundable deposit which may provide approximately RMB4.5 million interest income for the time deposit as advised by the Independent Financial Adviser; and (vii) the refundable deposit was paid to secure the Vendor's agreement to enter into the Acquisition Agreement so as to ensure the Target Mine would not be sold to other party(ies), the Directors (excluding the independent non-executive Directors whose advice are in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that the business potential of the Target Group outweighs the time to be consumed in the Reorganisation and hence the further extension of Long Stop Date is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

By Order of the Board  
**Sino Prosper State Gold Resources Holdings Limited**  
**Ng Kwok Chu, Winfield**  
*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,

**FURTHER EXTENSION OF LONG STOP DATE  
IN RESPECT OF  
A MAJOR AND CONNECTED TRANSACTION**

We refer to the circular to the Shareholders dated 3 September 2013 (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 by the Board as members of the Independent Board Committee to advise you in connection with the further extension of the Long Stop Date, details of which are set out in the “Letter from the Board” in the Circular.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in the Circular. Having taking into account the principal factors and reasons considered by and the advice from Nuada in relation thereto as set out from pages 19 to 25 of the Circular, we are of the view that the Acquisition would enable the Group to increase its gold reserve, diversify the Group’s portfolio and bring favorable returns to the Group which is in the interests of the Company and the Shareholders. However, in light of the actual time taken for the Reorganisation which is, a conditions precedent to Completion, is uncertain as the Original Target PRC Shareholder has to obtain the approvals from various PRC authorities at different levels, we concur with the Independent Financial Adviser and consider that the further extension of the Long Stop Date is not fair and reasonable so far as the Company and the Independent Shareholders taken as a whole. Accordingly, we (as a majority of the Independent Board Committee) recommend the Independent Shareholders to vote against of the ordinary resolution as set out in the notice of the EGM contained in the Circular to approve the further extension of the Long Stop Date.

Notwithstanding the foregoing, we wish to draw your attention to a different view was raised by Mr. Zhang Qingkui (“Mr. Zhang”) to the views of Nuada with regard to the further extension of the Long Stop Date. Mr. Zhang has more 18 years experience in the geological exploration of mines and is a member of the Independent Board Committee. Mr. Zhang pointed out that it is the administrative and procedural matter for the local land and resource bureau to take time to renew the exploration/mining rights and to approve the transfer of Mining Rights to the Target PRC. If the further extension of the Long Stop Date is not approved at the EGM, the Company may lose the opportunity to invest in the Target Group which investment may in

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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turn bring favourable returns to the Group and the Shareholders. Accordingly, Mr. Zhang disagrees with Nuada on its view that the further extension of Long Stop Date is not in fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For those Independent Shareholders who are in favour the Company to extend the Long Stop Date so as to allow the Company not to lose the opportunity and participate (under the existing terms and conditions of the Acquisition Agreement) in the consolidation of mining rights and the increase of the Group's gold reserves under the Acquisition and to consider the proposal at a later time, they could choose to vote in favour of the resolution to approve the further extension of the Long Stop Date.

Yours faithfully,

Independent Board Committee of

**Sino Prosper State Gold Resources Holdings Limited**

**Mr. Niu Zhihui**

**Mr. Cai Wei Lun**

**Mr. Zhang Qingkui**

*Independent non-executive Director*

*Independent non-executive Director*

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Nuada Limited**  
*Corporate Finance Advisory*

19th Floor, BLINK, 111 Bonham Strand  
Sheung Wan, Hong Kong  
香港上環文咸東街111號 BLINK 19字樓

3 September 2013

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

Dear Sirs,

### **FURTHER EXTENSION OF LONG STOP DATE IN RESPECT OF A MAJOR AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the further extension of the Long Stop Date (the “**Extension**”), details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular dated 3 September 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to the Announcements and the Company’s announcement dated 30 August 2013 in relation to, among others, the major and connected transaction.

On 19 December 2011, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has agreed to dispose of the Sale Share and the Sale Loan, at a total consideration of RMB550 million.

As disclosed in the 2012 December Announcement, if any of the conditions precedent to the Completion of the Acquisition as set out therein has not been fulfilled (or as the case may be, waived by the Purchaser) on or before 30 September 2013 or such later date as the Vendor and the Purchaser may agree, the Acquisition Agreement shall cease and terminate. As additional time is required for the Company to obtain the technical report for the Target Mine (which is one of the conditions precedent to the Completion of the Acquisition) and to effect the Reorganisation, the Vendor and the Purchaser have entered into a Supplemental Agreement on 30 August 2013 to further extend the Long Stop Date for the Completion of the Acquisition to 31 December 2014 (or such later date as the parties thereto may agree). As stated in the Letter, save as the aforementioned, all other terms and conditions of the Acquisition Agreement remain in full force and effect.

The Company is committed to promoting good corporate governance, with the objectives of the maintenance of responsible decision making; the improvement in transparency and disclosure of information to the Shareholders; the continuance of respect for the rights of the Shareholders; and the recognition of the legitimate interests of the Shareholders. As such, the Board considers that it is in the interests of the Company and the Shareholders as a whole to convene the EGM for the purpose to consider and, if thought

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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fit, approve the Extension. Under the Supplemental Agreement, the Extension will be subject to the approval of the Independent Shareholders at the EGM. Since the Vendor is a connected person (as defined under the Listing Rules) of the Company and deemed to be interested in the Acquisition, the Vendor and his respective associates will voluntarily abstain from voting on the proposed resolution to approve the Extension.

For the avoidance of doubt, the purpose of convening the EGM is solely confined to the approval by the Independent Shareholders for the Extension only. Another extraordinary general meeting will be convened separately at a later stage for the purpose of considering, and, if thought fit, approving, among other matters, the Acquisition Agreement and the transactions contemplated thereunder.

The Independent Board Committee of the Company comprising all three of the independent non-executive Directors, namely, Mr. Niu Zhihui, Mr. Cai Wei Lun and Mr. Zhang Qingkui, has been established to advise the Independent Shareholders in connection with the Extension.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have considered and relied on, among other things, the information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the EGM.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

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

In arriving at our recommendation in relation to the Extension, we have considered the following principal factors and reasons:

#### **1. Background information of the Group**

The principal activities of the Company and its subsidiaries (collectively, the “**Group**”) are investment holding. The Group, through its subsidiaries, engaged in investment in energy and natural resources (including precious metals) related projects in the PRC and money lending business in Hong Kong.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below summarised the segment results of the Group for each of the two years ended 31 March 2012 and 31 March 2013 as extracted from the Company's annual report for the year ended 31 March 2013 (the "Annual Report"):

	For the year ended 31 March	
	2013	2012
Turnover ( <i>HK\$'000</i> )		
Revenue		
– gold concentrates and amalgam	15,966	8,261
– silver concentrates	248	434
– gold	36,930	41,592
Interest income from loan financing activities	1,339	–
Total	54,483	50,287
Segment profit/(loss)		
Investment in energy and natural resources (including precious metals) related projects	(20,612)	(16,252)
Money lending	1,201	–

As stated in the Annual Report, apart from the investment in the existing energy and natural resources related project in the PRC, the Group has been looking into developing financial related business. According to the management of the Company, the Group was granted a money lenders license in Hong Kong (the "HK money lending business") in September 2012 and the relevant operation has already commenced since then and the result was disclosed in the Annual Report.

### 2. Update on the status of Target Mine

As disclosed in the Letter and the Annual Report, it was estimated that the potential quantity of metal content within the area of 0.6033 km<sup>2</sup> permitted by the mining right amounted to approximately 13.6 tonnes and the aggregate potential quantity of metal content of the remaining four mining rights to be consolidated amounted to approximately 52 tonnes, as set out in the Exploration and Development Reports.

According to the Company's PRC legal advisers, the mining permit of the Target Mine held by the Target PRC which was granted by the Department of Land and Resources, the PRC, is valid for a period between July 2005 and July 2015 and there are not any legal obstacles for the renewal of mining right of the Target Mine held by the Target PRC. As advised by the Company's PRC legal advisers, the successful renewal of the mining permits is subject to the applicable PRC rules and regulations at the time of applying for the renewal and/or relevant licences and the administrative decision of the Ministry of Land and Resources. However, one of the conditions precedent of the Acquisition Agreement stated that upon the completion of the Reorganisation, the validity period of the mining licenses in relation to the Mining Rights of the Target Mine and other mines held by the Target PRC after the Reorganisation should not end earlier than 31 December 2014.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In April 2013, the Group engaged a qualified Competent Person with a view to conducting the necessary technical evaluation at the Target Mine and the contiguous gold properties in Guizhou Province. The Vendor also appointed a local geological and resource survey institute to conduct geological survey and resource estimation. As the Reorganisation was not completed, it was not practicable to allow survey activities to be conducted and the preparation of the valuation report on the project of Target Mine would only commence after the technical report is available. As advised by the Company, a lingering drought emerged in the severe dry weather in Guizhou Province since June 2013. The local government has restricted the water consumption for industry so as to guarantee water supply for domestic use. Accordingly, the drilling and underground sampling is impracticable to conduct at current stage due to the fact that such drilling and sampling involves the use of water and is subject to the water supply restriction imposed by the local government. Up to the Latest Practicable Date, the Company is not aware of time limit for the water supply restriction imposed by the local government. When there is material progress of the Reorganisation, the Competent Person will (among other steps, make reference to the reports conducted by the said local institute) prepare and issue a JORC-compliant independent technical report which will be included in the circular to be despatched by the Company to the Shareholders in connection with the extraordinary general meeting to be convened to consider and approve (if so approved) the Acquisition Agreement.

As information attained from the website of the World Bank, the gold price per ounce increased from approximately US\$281.5 in January 2002 to approximately US\$1,684.8 in December 2012, representing an increase of approximately 4.9 times during the aforesaid period. However, there were significant price fluctuations in the commodity markets during the first half of 2013. For the first half of 2013, the gold price per ounce reached its peak for 2013 of approximately US\$1,670 in January 2013, and decreased to approximately US\$1,396.1 as at the Latest Practicable Date.

As stated in the Annual Report, it is the policy of the Company to proactively identify related projects or opportunities in relation to finance, natural gas and precious metals with investment potential in the PRC while consolidating its existing businesses. We are of the view that the Acquisition can provide an opportunity to the Company to engage in continue the expansion of precious metals-related business in the PRC.

### 3. Reasons for the Extension

In order to assess whether it is fair and reasonable to further extend the Long Stop Date, we have examined the following terms of the Acquisition Agreement.

#### (i) *Deposit Payment*

According to the Announcements and Acquisition Agreement, we understand that the Company already made a deposit payment (the “**Deposit**”) of RMB120 million (equivalent to approximately HK\$147.24 million). The Deposit is fully refundable and from part of the Consideration (if the Acquisition is completed). As at the Latest Practicable Date, the Deposit is held by the Vendor. In order to justify the fairness and reasonableness of the Deposit, we try to identify the transaction comparable to the Deposit among the listed companies in a recent time period (i.e. 1 January 2012 to 20 July 2013) with the following factors: (i) the transaction has been classified as major transaction under the Listing Rule; (ii) part of the payment will be paid to the vendor upon the signing of the agreement of the respective transaction; and (iii) such down payments are not put in the escrow



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

account. To the best of our knowledge, we have identified 7 major transactions with aforesaid criteria (the “**Comparables**”). The Comparables no. 4 and no. 7 are comparable to the Acquisition as the assets to be acquired in the Acquisition is a kind of natural resources (i.e. gold resources) which is same as those in the aforesaid comparables. The list of the Comparables is considered to be exhaustive, for comparison purpose. Since the Comparables (i) have similar nature in transaction; and (ii) is adequate for the Shareholders to understand the deposit payment terms of the transactions, we consider that the Comparables are appropriate and fair and representative samples. Nevertheless, the Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in transactions with deposit payment by listed companies in Hong Kong. Summarised below is our relevant finding:

No.	Company name (stock code)	Date of announcement	Assets to be acquired	Amount paid to the vendor upon the signing of the acquisition agreement (HK\$)	Total Consideration (HK\$)	Max. Length of the deposit payment (the long stop date)	Amount of the down payment to the total consideration %
1.	China-Hongkong Photo Products Holdings Limited (1123)	24/5/2013	Business assets (Note 4)	7,000,000	113,500,000	App. 2 months (1 August 2013)	6.17
2.	Tibet 5100 Water Resources Holdings Limited (1115) (Note 1)	10/4/2013	research and development, manufacture and sales of a specialty Tibetan Plateau highland barley beer in the PRC	187,912,050	626,373,500	App. 8 months (31 December 2013)	30
3.	Sunac China Holdings Limited (1918) (Note 1)	17/3/2013	real estate development business	78,000,000	11,264,731,000	45 days (Note 3)	0.69
4.	EVOC Intelligent Technology Company Limited (2308)	16/3/2013	Land use rights of the land	59,199,250	304,873,802	N.A. (Note 2)	19.42
5.	Town Health International Investments Limited (3886)	22/2/2013	Property	7,750,000	155,000,000	App. 3 months (31 May 2013)	5
6.	Megalogic Technology Holdings Limited (8242)	28/1/2013	Financial business	4,500,000	45,000,000	App. 6 months (31 July 2013)	10
7.	Shanghai Zendai Property Limited (755)	16/1/2013	Land use rights of the land	719,000,000	1,437,900,000	12 months (16 January 2014)	50
	Max.:						50
	Min.:						0.69
	Mean:						17.33
	The Company	30/12/2011	Gold Mine	147,240,000	674,850,000	13 months (31 January 2013)	21.82

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

- 1: Amounts in RMB have been converted into HK\$ at the rate of RMB1.00 = HK\$1.249 for illustration purpose.
- 2: The announcement does not state out the long stop date and completion date of the acquisition.
- 3: The deposit shall return to the company within 45-day period upon signing of the formal agreement, however, accordingly to the company's announcement dated 1 May 2013 the long stop date has been extended for 75 days.
- 4: The business assets comprise (i) the computer systems; (ii) the office equipment; and (iii) all other assets related to business operations.

Among the Comparables, only the transaction of Town Health International Investments Limited (3886) is major and connected transaction, all of the Comparables are major transaction. Instead of Tibet 5100 Water Resources Holdings Limited (1115), a monthly interest rate of 1% from the date when the purchaser pays the deposit to the vendor to the date when the deposit is returned to the purchaser by the vendor in full, all of the deposits of the Comparables do not incur any interest payment. As shown in the above, the dollar value of the deposit payment to the total consideration ratio of the respective transaction ranged from approximately 0.69% to approximately 50% (the "**Market Range**"). Since ratio of the Deposit to the Consideration of the Acquisition of approximately 21.82% falls within the Market Range and is only slightly higher than the mean amount of approximately 17.33% of the Comparables, we concur with view of the Directors that the arrangement of the Deposit is a normal and commercial term and in the interests of the Shareholders as a whole.

With regard to the costs to be incurred in agreeing to the Extension, we are advised by the management of the Company that the Company did not have any plan or alternative usage of the Deposit which in other words is an idle resource. However, we are of the view that the Deposit could at least provides interest income to the Company and the opportunity cost in relation to the Deposit should be the interest revenue generated by the Deposit. Based on the latest published time deposit rate of the People's Bank of China, the interest rate of time deposit of one year is 3% per year and the Deposit could provide approximately RMB4.5 million interest income to the Company for the extended period. Since we are not able to predict the future movement of the gold price, it will not be suitable to comparable such opportunity costs to the benefits arise from the Extension. Shareholders should note that there are plenty of uncertainties related to the future gold price in particular, the recent decreases of the gold price, and no one guarantee the Acquisition would be processed after the Extension. If such is the case, the loss of the Extension would be at least RMB4.5 million.

*(ii) Time Table*

Reference is made to the section headed "Proposed timetable" in the Letter.

After discussion with the management of the Company, we understand that the preparation of the valuation report on the project of Target PRC would only be commenced after the technical report is available and the technical report would be available in September 2014 according to the timetable prepared by the Company as at Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at this moment, the Target PRC is still in the process of undergoing the Reorganisation, obtaining the renewed exploration/mining rights of other existing contiguous gold properties and integrating such mining rights into the Mining Permit of the Target Mine by the Original Target PRC Shareholder, and the Company expects the Reorganisation will be completed before June 2014. However, since the Reorganisation is subject to approvals by various PRC authorities of different levels, the time taken for the Reorganisation is longer than originally expected. The Company will then submit the circular of the Acquisition to the Exchange for the approval upon the valuation report of the Target Mine is available, which shall not later than October 2014. Based on the aforesaid timetable, we are of the view that the Extension for 15 months from 30 September 2013 to 31 December 2014 is not justifiable given that there is uncertainty regarding the date of the completion of material process of the Acquisition and the Reorganisation.

### RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the Extension is not fair and reasonable and in the interests of the Company and the Shareholders as a whole and we would advise (a) the Independent Board Committee to recommend to the Independent Shareholders to vote against of the resolutions to be proposed at the EGM; and (b) the Independent Shareholders to vote against of the resolutions to be proposed at the EGM to extend the Long Stop Date.

Yours faithfully,  
For and on behalf of  
Nuada Limited

**Kevin Chan**  
*Director*

**Kevin Wong**  
*Vice President*

## 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. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (i) were required to be 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 in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the “**Model Code**”), were as follows:

Name of Directors/ Chief Executive	Nature of interest	Number of Shares interested or deemed to be interested (long position)	Approximate percentage of the issued Share capital of the Company (Note 1)
Leung Ngai Man	Beneficial owner	159,663,000 (Note 2)	20.58%
Sung Kin Man	Beneficial owner	7,000,000 (Note 3)	0.90%
Zhang Qingkui	Beneficial owner	7,700,000 (Note 4)	0.99%
Wu Wei Hua	Beneficial owner	8,800,000 (Note 5)	1.13%

*Notes:*

1. This percentage is calculated on the basis of 775,787,497 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. These 159,663,000 Shares were attributable to Mr. Leung Ngai Man. Among these shares, (a) 158,863,000 Shares were beneficially owned by Mr. Leung Ngai Man; and (b) 800,000 Shares represented underlying Shares for which Mr. Leung was entitled to subscribe upon exercise of certain options granted to him under the old Share Option Scheme (which was adopted by the Company on 25 April 2002 and terminated on 20 April 2012) (the “**Old Share Option Scheme**”). Share options carrying rights to subscribe for 8,000,000 Shares were granted to Mr. Leung Ngai Man on 3 January 2005 pursuant to the Old Share Option Scheme. Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every 10 of the then existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK\$0.1 per share (the “**Share Consolidation**”). Every 10 of the then options were consolidated into 1 consolidated option and the exercise prices were adjusted accordingly.
3. Share options carrying rights to subscribe for 10,000,000 and 60,000,000 Shares were granted to Mr. Sung Kin Man on 4 May 2010 and 27 January 2012, respectively pursuant to the Old Share Option Scheme, which has been adjusted by the Share Consolidation as stated in Note 2 above.
4. Share options carrying rights to subscribe for 7,700,000 Shares were granted to Mr. Zhang Qingkui on 26 April 2012 pursuant to the new Share Option Scheme (which was adopted and approved by Shareholders on 20 April 2012) (the “**New Share Option Scheme**”).
5. Share options carrying rights to subscribe for 3,000,000 Shares, 8,000,000 Shares and 60,000,000 Shares were granted to Ms. Wu Wei Hua on 8 May 2006, 4 May 2010 and 27 January 2012, respectively pursuant to the Old Share Option Scheme, which has been adjusted by the Share Consolidation as stated in Note 2 above. Share options carrying rights to subscribe for 1,700,000 Shares were granted to Ms. Wu Wei Hua on 24 September 2012 pursuant to the New Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, the following persons (other than a Director or chief executives of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital, were as follows:

Name of Shareholder	Nature of interest	Number of Shares interested or deemed to be interested (long position)	Approximate percentage of the issued Share capital of the Company (Note 1)
Matterhorn Investment Management (Asia) Limited	Investment manager (Note 2)	54,645,300	7.04%
Somercourt Investments Limited	Nominee for another person (other than a bare trustee) (Note 3)	54,645,300	7.04%
Somercourt Services	Interest of a controlled corporation	54,645,300	7.04%
George Robinson	Interest of a controlled corporation	54,645,300	7.04%

*Notes:*

1. This percentage is calculated on the basis of 775,787,497 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. Matterhorn Investment Management (Asia) Limited was appointed as non-beneficial discretionary investment manager to Somercourt Investments Limited.
3. Somercourt Investments Limited was interested in 54,645,300 Shares of the Company. It was a wholly owned subsidiary of Somercourt Services which in turn was 69.05% controlled by George Robinson.

Save as disclosed above, as so far is known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any persons (other than the Directors and chief executives of the Company) who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

#### 4. SERVICE AGREEMENTS

As the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**5. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any members of the Group.

**6. COMPETING INTERESTS**

For complete record purpose, Mr. Leung has been taking steps to establish a micro-financing enterprise in Changchun city, Jilin Province, the PRC, which however is still in the application-vetting stage. According to Mr. Leung, up to the Latest Practicable Date, such application has not yet been approved by the relevant authorities in Changchun City. For further details regarding micro-financing business in relation to the Company, please refer to the announcement of the Company dated 21 December 2012 in relation to a very substantial acquisition and connected transaction.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

**7. DIRECTORS' INTERESTS IN ASSETS**

Save as the Acquisition (details of which are disclosed in the announcement of the Company dated 30 December 2011) and the very substantial acquisition and connect transaction (details of which are disclosed in the announcement of the Company dated 21 December 2012), none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

Details of the very substantial acquisition and connected transaction were set out in the announcement of the Company dated 21 December 2012. As disclosed in the said announcement, Favour South Limited (being a wholly-owned subsidiary of the Company) and Mr. Leung entered into an agreement on 27 September 2012 (as supplemented by two supplemental agreements dated 19 November 2012 and 19 December 2012 respectively), pursuant to which the Favour South Limited has agreed to acquire, and Mr. Leung has agreed to sell, or procure the sale of the entire issued share capital of Treasure Join Limited and sale debts as at the date of the completion. As at the Latest Practicable Date, completion of the very substantial acquisition and connected transaction has not yet been taken place.

**8. DIRECTORS' SERVICE IN CONTRACTS**

Mr. Leung Ngai Man entered into a service contract with the Group for an initial term of one year commencing from 3 September 2010 which was automatically renewable for the successive terms of one year but not more than an aggregate of three years from the date of initial commencement, unless terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Sung Kin Man entered into a service contract with the Group on 4 November 2009 without a definite term of appointment, and may be terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Ng Kwok Chu, Winfield entered into a service contract with the Group on 25 June 2012 for an initial term of two years commencing from 26 June 2012, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Niu Zhihui signed an appointment letter with the Group on 6 November 2012 for an initial term of 1 year commencing from 6 November 2012, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Cai Wei Lun signed an appointment letter with the Group on 31 March 2012 for an initial term of two years commencing from 1 April 2012, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Zhang Qingkui signed an appointment letter with the Group on 31 January 2013 for an initial term of two years commencing from 31 January 2013, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Save as disclosed above and (i) the Acquisition Agreement (details of which are disclosed in the announcement of the Company dated 30 December 2011); and (ii) the very substantial acquisition and connected transaction (details of which are disclosed in the announcement of the Company dated 21 December 2012), none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

## **9. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Company were made up.



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

The following is the expert, and its qualification, who has given opinion contained in this circular:

<b>Name</b>	<b>Qualification</b>
Nuada	A licensed corporation under the SFO permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board

Nuada has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice, opinion and/or reports and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Nuada was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 March 2013), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**11. 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 the date of the EGM:

- (a) the Acquisition Agreement and the Supplemental Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 25 of this circular;
- (d) the memorandum and articles of association of the Company;
- (e) the annual reports of the Company for the year ended 31 March 2013;
- (f) the written consents referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix; and
- (g) this circular.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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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 OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“**Meeting**”) of Sino Prosper State Gold Resources Holdings Limited (“**Company**”) will be held at BC Boardroom 2-3, 1/F., Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong at 10:00 a.m. on Monday, 30 September 2013 to consider and, if thought fit, pass (with or without modification) the following resolution as ordinary resolution:

#### ORDINARY RESOLUTION

“**THAT** the extension (as contemplated by the second extension agreement dated 30 August 2013 and entered into between Mr. Leung Ngai Man (as vendor) and Sino Prosper State Gold HK Limited (as purchaser) (a copy of which second extension agreement has been produced to the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose)) from 30 September 2013 to 31 December 2014 of the long stop date under the Acquisition Agreement as defined in the Company’s circular dated 3 September 2013 (a copy of which has been produced to the meeting marked “**B**” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved.”

By order of the Board  
**Ng Kwok Chu, Winfield**  
*Executive Director*

Hong Kong, 3 September 2013

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

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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*Notes:*

- 1 A shareholder entitled to attend and vote at the Meeting convened by this notice shall be entitled to appoint one proxy or, if he is the holder of two or more shares (“Shares”) of the Company, more than one proxy to attend and, subject to the provisions of the articles of association (“Articles”) of the Company, vote in his stead. A proxy need not be a shareholder.
2. To be valid, the form of proxy together with a 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 offices of the branch registrar and transfer agent of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time of the Meeting or any adjourned meeting.
- 3 Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the 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 registered 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 or if more than one of such joint holders are present at the 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.