THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

SINO PROSPER HOLDINGS LIMITED
中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 766)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Financial Adviser

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

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

大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

A letter from the Board is set out on pages 5 to 28 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 29 of this circular. A letter from Grand Cathay containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 51 of this circular.

A notice convening an EGM to be held at 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on Friday, 25 September 2009 or shortly before or after such time, which falls immediately after the conclusion of the annual general meeting of the Company convened to be held on the same date and place at 10:00 a.m., is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

31 August 2009

CONTENT

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

"Acquisition"	the acquisition of the Sale Share and the Sale Loan pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 17 April 2009 and entered into between the Purchaser and the Vendor in respect of the Acquisition
"Announcement"	the announcement of the Company dated 28 April 2009 in relation to, among others, the Acquisition
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	the holder(s) of the Convertible Bonds
"business day"	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Sino Prosper Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	the date of Completion, being the date falling five business days after all the conditions of the Acquisition Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	the consideration for the Acquisition, being RMB360 million (equivalent to approximately HK$409.1 million)
"Conversion Price"	initially the conversion price of HK$0.075 per Share as agreed between the Vendor and the Purchaser per Conversion Share

"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$136,363,636 (equivalent to approximately RMB120 million), that may be issued by the Company in favour of the Vendor as consideration for the Acquisition
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. (or thereabout as mentioned in the notice of meeting set out on pages EGM-1 to EGM-3 of this circular) on Friday, 25 September 2009 to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the transaction contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors
"Independent Financial Adviser" or "Grand Cathay"	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
"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
"Last Trading Date"	16 April 2009, being the last trading date for the Shares prior to the release of the Announcement

"Latest Practicable Date"	27 August 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Leung" or "Vendor"	Mr Leung Ngai Man, the Chairman of the Company and an executive Director, and the vendor under the Acquisition Agreement
"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 Note"	promissory note to be executed by the Purchaser (or the Company (if mutually agreed by the Vendor and the Purchaser)) in the favour of the Vendor for the purpose of settling partially the consideration for the Sale Shares and the Sale Loan under the Acquisition Agreement
"Purchaser"	Sino Prosper (States Gold) Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company and the purchaser named under the Acquisition Agreement
"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$1.22 million
"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
"Share(s)"	existing ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	Code on Takeovers and Mergers

"Target BVI"	Nice Think Group Limited, a company incorporated in the BVI, and at as the Latest Practicable Date, wholly and beneficially owned by the Vendor
"Target Group"	collectively, the Target BVI, the Target HK and the Target PRC
"Target HK"	Victor Bright Investment Limited, a company incorporated in Hong Kong and as at the Latest Practicable Date, wholly and beneficially owned by Target BVI
"Target Mine No.1"	an area of approximately 94.92 sq. km. of mining site located at Paoshouying Dongshan, Hulin City, Heilongjiang Province, the PRC
"Target Mine No.2"	an area of approximately 83.02 sq. km. of mining site located at the headstream of Dumuhe, Hulin City, Heilongjiang Province, the PRC
"Target Mine No.3"	an area of approximately 18.37 sq. km. of mining site located at No. 290 Highland, Hulin City, Heilongjiang Province, the PRC
"Target Mines"	collectively, Target Mine No.1, Target Mine No.2 and Target Mine No. 3
"Target PRC"	黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.), which was a non-State-owned enterprise and has become an equity joint venture established under the PRC laws on 1 April 2009
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"sq. km."	square kilometre
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.88 to HK$1.00.

SINO PROSPER HOLDINGS LIMITED
中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 766)

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

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

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

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

31 August 2009

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

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in which the Company announced that, on 17 April 2009, the Purchaser and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Share and the Sale Loan, at a total consideration of RMB360 million (equivalent to approximately HK$409.1 million).

Pursuant to the terms of the Acquisition Agreement, the Consideration shall be satisfied by (i) the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor at Completion, and (ii) the Purchaser (or the Company (if mutually agreed by both parties)) issuing the Promissory Note to the Vendor on Completion.

The purpose of this circular is to provide you with (i) further information in respect of the Acquisition, and other information on the Group; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial information of the Target Group; (v) technical report on the Target Mines; and (vi) the notice of the EGM.

THE ACQUISITION AGREEMENT

Date: 17 April 2009

Parties:

Purchaser: Sino Prosper (States Gold) Investment Limited, a wholly-owned subsidiary of the Company and an investment holding company

Vendor: Mr. Leung Ngai Man

As at the Latest Practicable Date, the Vendor is the legal and beneficial owner of the entire issued share capital of Target BVI. Target BVI has an authorized capital of US$50,000 divided into 50,000 ordinary shares of US$1 each, of which one share has been issued and fully paid up and is beneficially owned by the Vendor.

The Vendor is a connected person of the Company by virtue of him being a Director and a substantial Shareholder, holding approximately 10.05% of the issued share capital of the Company as at the Latest Practicable Date.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Share (being the entire issued share capital of Target BVI) and the Sale Loan.

Consideration

Pursuant to the terms of the Acquisition Agreement, and because certain condition as mentioned below has been satisfied, the Consideration of RMB300 million (equivalent to approximately HK$340.9 million) was automatically adjusted to RMB360 million (equivalent to approximately HK$409.1 million) and shall be settled in the following manner: (i) RMB120 million (equivalent to approximately HK$136.4 million) shall be satisfied by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor on Completion; and (ii) the balance of RMB240 million (equivalent to approximately HK$272.7 million) (which before the said adjustment was RMB180 million (equivalent to approximately HK$204.5 million)) shall be satisfied by the Purchaser (or the Company (if mutually agreed by both parties) issuing the Promissory Note to the Vendor on Completion. As set out in the paragraph headed "The Target Group" below, after the Completion, the Group is required to contribute the outstanding registered capital of the Target PRC payable by Target HK of RMB4.16 million (equivalent to approximately HK$4.73 million). The total capital outflow of the Group in relation to the Acquisition is therefore approximately RMB364.16 million (equivalent to approximately HK$413.8 million). Assuming that the Convertible Bonds are exercised in full, the Conversion Shares, together with the Shares beneficially owned by the Vendor as at Completion, will represent approximately 58.53% of the Company's issued share capital as enlarged by the issue of the Conversion Shares. Under the Acquisition Agreement, the Vendor and the Company have agreed to adopt the exchange rate of RMB0.88 to HK$1.00 for the purpose of determining the amount of Consideration to be settled in Hong Kong dollars.

The Consideration was determined by the Vendor and the Purchaser on normal commercial terms and after arm's length negotiations by reference to, inter alia: (i) the Target PRC is the holder of the exploration permits of the Target Mines; (ii) the expected valuation for the mining rights of Target Mine No.1 and Target Mine No.2 to be not less than RMB500 million (equivalent to approximately HK$568.2 million), and the valuation for the mining rights of Target Mine No.3 is yet to be made as at the date of the Announcement; (iii) the opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group. Based on a preliminary report provided by an independent valuer, Norton Appraisals Limited, the valuation for the mining rights of Target Mine No.1 and Target Mine No.2 as at 16 April 2009 was RMB545 million (equivalent to approximately HK$619.3 million), such preliminary valuation is subject to, among other matters, further physical inspection by the valuer, the valuer's formal valuation report, and the technical report to be prepared by independent qualified mineral technical adviser appointed. Target PRC is the holder of exploration permit of the Target Mines, among which Target Mine No.3 also forms part of the assets to be acquired under the Acquisition Agreement. As the area covered by Target Mine No.3 is relatively small, no valuation was prepared as at the date of the Announcement. Further explanation about the basis of the Consideration are disclosed in the paragraph headed "The Target Group" below. As set out in the formal valuation report issued by Norton Appraisals Limited which is included in Appendix VA and Appendix VB to this circular, the valuation of the Target Mine No. 1 and the Target Mine No. 2 as at 22 July 2009 amounted to an aggregate amount of RMB630.0 million (equivalent to approximately HK$715.9 million) and the valuation of the Target Mine No.3 was RMB211.8 million (equivalent to approximately HK$240.7 million). For your reference, the technical report in relation to the Target Mines is set out in Appendix IV of this circular.

Under the Acquisition Agreement, the initial Consideration of RMB300 million is subject to adjustment. In the event that the valuation for the mining rights of Target Mine No.1 and Target Mine No.2 as assessed by the independent valuer, Norton Appraisals Limited, appointed by the Purchaser is equal to or more than RMB600 million (equivalent to approximately HK$681.8 million), the Consideration shall be adjusted and increase to RMB360 million (equivalent to approximately HK$409.1 million). Under the Acquisition Agreement, the amount of the Consideration to be satisfied by the issuance of Convertible Bonds shall remain unchanged at RMB120 million, while the amount of Consideration to be satisfied by the issuance of the Promissory Note shall increase from RMB180 million (equivalent to approximately HK$204.5 million) to RMB240 million (equivalent to approximately HK$272.7 million).

According to the formal valuation report prepared by Norton Appraisals Limited as set out in Appendix VA of this circular, the valuation of the Target Mine No.1 and Target Mine No.2 is equal to an aggregate sum of RMB630.0 million (equivalent to approximately HK$715.9 million), which is more than RMB600 million (equivalent to approximately HK$681.8 million). As such, following the terms of the Acquisition Agreement, the final Consideration shall be adjusted to RMB360 million (equivalent to approximately HK$409.1 million) and the manners of settlement of such consideration will be as stated in the preceding paragraph.

The Directors (including independent non-executive Directors) consider that the terms of Acquisition (including the basis of the Consideration), which are determined on an arm's length basis, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In this connection, the Company has conducted and 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. The Company has arranged for an independent qualified valuer, Norton Appraisals Limited, to issue valuation reports on the value of the Target Mines and such valuation reports are set out in Appendix VA and VB to this circular. The Consideration of RMB360 million (equivalent to approximately HK$409.1 million) represents at least 34% discount to the above valuation attributed by the Target Group. **Notwithstanding the above, the attention of the Shareholders and potential investors of the Company is drawn that the Consideration was determined based on, among other matters, the expected valuation for the mining rights of the Target Mine No. 1 and the Target Mine No. 2 prepared by Norton Appraisals Limited and such valuation reports (as set out in Appendices VA and VB to this circular) were prepared based on the technical report prepared by SRK Consulting China Limited (as set out in Appendix IV to this circular) and management's mining schedules as well as the resource estimation conducted by Guangzhou Geochemistry Institute of Chinese Academy of Science, which is a premature estimate. In addition, the attention of the Shareholders and potential investors of the Company is also drawn to the potential investment risk in the Target Group, including but not limited to the lack of track record of operation, the short life span of the aforesaid permits and the possible failure of the renewal thereof and/or the obtaining of an exploitation (mining) permits. Shareholders and the potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

Conditions precedent to Completion

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

(a) the obtaining of all necessary governmental and other consents and approvals required to be 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 Vendor's warranties contained in the Acquisition Agreement remaining true and accurate in all respects and the Vendor having complied with all of 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 a resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and (upon exercise of the conversion right attaching to the Convertible Bonds) the allotment and issue the Conversion Shares to the Vendor (or such person as may be nominated by the Vendor) at the Conversion Price credited as fully paid;

(e) the delivery to the Purchaser of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser acceptable to the Purchaser in relation to the Acquisition Agreement and the transactions contemplated thereby and the delivery to the Purchaser of a BVI legal opinion (in form and substance satisfactory to the Purchaser) from a BVI legal adviser acceptable to 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 to be conducted on the assets, liabilities, operations (including without limitation Target PRC has become the holder of the exploration permits in respect of the Target Mines and Target PRC is permitted to carry on exploration operations in respect of the Target mines) and affairs and the feasibility of the business plan of the Target Group; and

(g) 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 mining rights of Target Mine No.1 and Target Mine No.2 to be not less than RMB500 million (equivalent to approximately HK$568.2 million).

In connection with condition numbered (a) above, as advised by the PRC legal advisers of the Company, there are no governmental and other consents and approvals required to be obtained under the PRC law on the part of Target PRC, the Vendor and the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereby. In connection with condition numbered (g) above, a valuation report has been obtained from Norton Appraisals Limited, a third party independent of the Company and its connected persons. Norton Appraisals Limited is a qualified valuer under Chapter 5 of the Listing Rules. The valuation reports prepared by such valuer are set out in Appendix VA and VB to this circular.

The Purchaser has the right to waive all of the above conditions in part or in full, except for conditions numbered (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 31 October 2009 or such later date as the Vendor and the Company may agree in writing, the Acquisition Agreement shall cease and determine and neither party shall have any obligations towards each other. The Directors confirm that as at the Latest Practicable Date, save for condition (g), 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.

If the valuation of the mining rights of Target Mine No.1 and Target Mine No.2 as prepared by the independent valuer appointed by the Purchaser, Norton Appraisals Limited, is less than a total amount of RMB500 million (equivalent to approximately HK$568.2 million), the Purchaser has the right (but not obliged) to refuse to proceed to the Completion, and the Purchaser and the Vendor may further negotiate to re-determine the Consideration (provided that all the adjustments to be made shall comply with the applicable Listing Rules). As set out in Appendix VA to this circular, the valuation of Target Mine No.1 and Target Mine No.2 is more than RMB500 million (equivalent to approximately HK$568.2 million). The Purchaser will therefore proceed to the Completion if all the other conditions precedent to Completion are fulfilled or, as the case may be, waived (if waivable).

Completion

Under the Acquisition Agreement, Completion of the Acquisition shall take place on the Completion Date.

Upon Completion, Target BVI will become a wholly-owned subsidiary of the Company and the financial results of Target BVI will be consolidated into the consolidated financial statements of the Company.

The original cost of the Target Group (inclusive of the capital, shareholder's loan and purchase cost of the Target Mines contributed and to be contributed) to the Vendor up to the Completion is estimated by the Vendor to be about HK$1.2 million (including the amount of capital contribution made by the Vendor (on behalf of Target HK) to the Target PRC of RMB1.04 million).

The Acquisition Agreement does not contain any terms which will render the Vendor and its concert parties to be in a position to control the Board by appointing further representatives to the Board upon Completion. Further, the Vendor will at Completion undertake in favour of the Company that he and his associates will not become a controlling shareholder (within the meaning of the Listing Rules) of the Company within 24 months from the date of Completion.

CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	:	The Company
Principal amount	:	HK$136,363,636 (equivalent to approximately RMB120 million)
Conversion Price	:	The Conversion Price of HK$0.075 per Share represents:

(i) a premium of approximately 7.14% over the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a premium of approximately 2.74% over the average of the closing prices of HK$0.073 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(iii) a premium of approximately 2.74% over the average of the closing prices of HK$0.073 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date; and

(iv) a discount of approximately 71.70% over the closing price of HK$0.265 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Interest	:	Interest free
Transferability	:	the Convertible Bonds may be transferred or assigned in whole or in part by the Bondholder(s) to any person or company provided that where such transfer is made to a connected person of the Company, such transfer shall comply with the requirements (if any) of the Stock Exchange
Maturity Date	:	5 years from the date of issue
Conversion rights	:	The Bondholder may convert the whole or part (in integral multiples of HK$15,000) of the principal amount of the Convertible Bonds into the Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Convertible Bonds up to the maturity date provided that no Convertible Bond may be converted, to the extent that following such conversion, the Vendor and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in more than 29% of the entire issued Shares
Early redemption	:	Upon occurrence of any event of default set out in the terms and conditions of the Convertible Bonds (including among others, a sufficient number of authorised but unissued Shares of the Company is not available for the fulfilment of the obligations regarding the conversion of the Convertible Bonds, a breach of the provisions of the Convertible Bonds, breach of major terms of the Acquisition Agreement and dissolution or winding up of the Company), Bondholder(s) may give written notice to the Company that the Convertible Bonds become due and repayable. Upon any such notice being given to the Company, the Convertible Bonds will become due and repayable on the business day falling 15 business days from the date of such notice at their principal amount
Conversion Price	:	The Conversion Shares will be issued at an initial conversion price of HK$0.075 per Conversion Share, subject to adjustment upon the occurrence of a capitalisation issue, capitalisation of profits and reserves, rights issue, subdivision, consolidation, re-classification or re-construction of Shares or reduction of share capital, which adjustments shall be in such manner as certified by the auditor of the Company or an approved merchant bank to be appropriate
Ranking of the Conversion Shares	:	The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares

Ranking of the Convertible Bonds	:	The Convertible Bonds constitute direct, general, unconditional and unsecured obligations of the Company and rank pari passu and rateably without preference among themselves, and with other direct, unconditional, unsubordinated and unsecured obligations of the Company
Voting	:	The Convertible Bonds do not confer any voting rights at any meetings of Shareholders of the Company
Public float	:	The Company, at all times, shall use its reasonable endeavours to ensure that the relevant provisions as to the minimum public float requirement of the Listing Rules are complied with. Upon the issue of the Convertible Bonds, it will be a term of the Convertible Bonds that the Bondholder shall not exercise any of the conversion rights attaching to the Convertible Bonds, if following such exercise, the Company's minimum public float cannot be maintained

The Conversion Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to the market price of the Shares prior to the entering into the Acquisition Agreement and the terms of the Convertible Bonds. The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

The issue of the Conversion Shares will be made pursuant to the specific mandate to be sought at the EGM. As illustrated in the table set out under the paragraph headed "Changes in shareholding structure of the Company" below and based on the assumptions set out therein, the maximum number of Conversion Shares issuable under the Convertible Bonds is 1,818,181,813 if the initial conversion price of HK$0.075 per Conversion Share is not adjusted. The 1,818,181,813 Conversion Shares represent approximately 111.7% of the existing issued share capital of the Company as at the Latest Practicable Date and 52.77% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

THE PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms are summarised below:

Issuer	:	the Purchaser (or the Company (if mutually agreed by both the Vendor and the Purchaser))
Principal amount	:	RMB240 million (equivalent to approximately HK$272.7 million) (after adjustment, having taken into account the valuation of Target Mine No. 1 and Target Mine No. 2, as set out in Appendix VA to this circular)
Interest	:	1.5% per annum, which is payable by the Purchaser on a quarterly basis
Maturity	:	2 years from the date of issue
Early redemption	:	the issuer could, at its option, repay the Promissory Note with the interests accrued up to the date of repayment in whole or in part by giving a prior seven days' written notice to the Vendor. There will not be any premium or discount to the principal amount under the Promissory Note for any early repayment

INFORMATION ON THE TARGET GROUP AND THE TARGET MINES

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 owns 65% of the registered capital of the Target PRC (part of which is yet to be paid up as at the Latest Practicable Date).

Target PRC was originally owned as to 60% and 40% respectively by two Independent Third Parties, which to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The then registered capital of Target PRC was RMB500,000 and was fully paid up. In March 2009, Target HK entered into a capital increase and subscription agreement with the said two Independent Third Parties pursuant to which Target HK has agreed to contribute RMB5.2 million (equivalent to approximately HK$5.9 million) to acquire 65% interests in the Target PRC. As advised by the Vendor, the said two shareholders of the Target PRC are independent from and not connected to the Vendor, save for their being shareholders of Target PRC. The consideration of the Vendor's subscription for the 65% interest in the Target PRC is determined on an arm's length basis and on commercial terms after negotiation between the Vendor and the two parties. Up to the Latest Practicable Date, the Vendor has made capital contribution (on behalf of Target HK) of RMB1.04

million (equivalent to approximately HK$1.19 million) to Target PRC. According to the terms of the Acquisition Agreement, after the Completion (if proceeding), the Group is obliged to contribute the outstanding registered capital of the Target PRC payable by Target HK of RMB4.16 million (equivalent to approximately HK$4.73 million). Such amount of outstanding capital contribution is not included in the Consideration. According to the approval issued by Harbin Economic Cooperation and Promotion Bureau (哈爾濱市經濟合作促進局), the outstanding registered capital of Target PRC has to be paid on or before 1 October 2009. Subsequent to the subscription of the capital in Target PRC by Target HK, the registered capital and the total investment of Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.20 million) respectively.

The two existing shareholders of Target PRC were introduced to the Vendor by a common friend in the PRC for personal investment purpose in October 2008. Target PRC was then a non-State-owned enterprise which sought for investors. As the Vendor considered the potential investment in the Target PRC as his personal investment at the outset, he did not refer such investment opportunity to the Group at the first instance. After the negotiations between the parties, the Vendor commenced to conduct due diligence for Target PRC including (i) the various procedures and approvals required for Target PRC becoming a sino-foreign equity joint venture enterprise; and (ii) the legality and the business potential of Target Mines. After satisfactory due diligence by the Vendor and the business negotiations with the then shareholders of Target PRC, Target HK entered into the capital increase and subscription agreement of Target PRC in March 2009. According to a valuation report prepared by an independent PRC valuer dated 8 December 2008, the valuation on Target PRC as at 30 November 2008 was approximately RMB2.82 million. The consideration for the subscription of 65% interest in Target PRC was finally determined on the basis that Target PRC was valued at RMB2.8 million before the subscription. By injecting RMB5.2 million into Target PRC by Target HK, Target PRC will be valued at RMB8 million in total and Target HK will have 65% interest in the Target PRC. After entering into the said capital increase and subscription agreement, the Vendor began to look for potential investors for Target PRC. The Group was one of the potential investors which the Vendor approached. The Vendor provided the information of the Target PRC to the Group in April 2009. After assessing the information on Target PRC, the Board is of the view that the Target Mines are with business potential. As such, the Company proposed to the Vendor to acquire the interests of Target PRC from the Vendor. After commercial negotiations between the Vendor and the Company on an arm's length basis, both parties agreed to use the independent valuer's valuation on Target Mine No.1 and Target Mine No.2 as the basis of the determination of the Consideration.

The Directors consider that the difference between the valuation made by the PRC independent valuer and Norton Appraisals Limited, an independent valuer was attributable to their respective valuation methods and the availability of additional information in February 2009. The PRC independent valuer used replacement cost method in its valuation of Target PRC in December 2008 and Norton Appraisals Limited used the market value method in its valuation of Target Mine No. 1 and Target Mine No. 2 in July 2009 with reference to the exploration data in a feasibility report prepared by an Independent Third Party on those Target Mines.

The Board has noticed the estimated cost incurred by the Vendor for the Target Group which amounted to approximately HK$1.2 million. The Directors are of the view that such figure only forms one of the various criteria considered by them which may not solely reflect the genuine investment value of the Target Group. Given that (i) the Consideration was arrived at after commercial negotiations which was based on the valuation of the relevant Target Mines made by independent valuer; (ii) the Acquisition provides the opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group; and (iii) the Consideration of RMB360 million (equivalent to approximately HK$409.1 million) represents at least 34% discount to the valuation of the relevant Target Mines, the Board is of the view that the Consideration is fair and reasonable.

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

According to the audited financial statements of Target BVI as set out in Appendix IIA of this circular, the audited net loss of Target BVI for the period from 10 October 2007 (being its incorporation date) to 31 December 2007, the year ended 31 December 2008 and the three-month period ended 31 March 2009 was nil, HK$15,600 and nil respectively. The audited net assets of Target BVI as at 31 December 2007 was HK$8, and the audited net liabilities of Target BVI as at 31 December 2008 and 31 March 2009 was HK$15,592 and HK$15,592 respectively.

According to the audited financial statements of Target HK as set out in Appendix IIB of this circular, the audited net loss of Target HK for the period from 21 August 2008 (being its incorporation date) to 31 December 2008 and the three months period ended 31 March 2009 was HK$6,610 and HK$5,420 respectively. The audited net liabilities of Target HK as at 31 December 2008 and 31 March 2009 was HK$6,609 and HK$12,029 respectively.

According to the audited financial statements of Target PRC as set out in Appendix IIC of this circular, the audited net loss of Target PRC for the period from 15 February 2007 (being its establishment date) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009 was HK$16,650, HK$91,173 and HK$88,102 respectively. The audited net assets of the Target PRC as at 31 December 2007, 31 December 2008 and 31 March 2009 was HK$517,764, HK$458,060 and HK$369,399 respectively.

The Directors do not expect there will be any variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Target Group in consequence of the Acquisition.

The Target Mines

Target Mine No.1 is located at Paoshouying Dongshan, Hulin City, Heilongjiang Province, the PRC. Target PRC is the holder of the exploration permit in respect of Target Mine No.1. The exploration area covered by such exploration permit is 94.92 sq. km. The exploration permit has been granted by the Ministry of Land and Resources, the PRC and is valid for a period between 16 April 2008 and 16 April 2011. The predominant resources in Target Mine No.1 are various kinds of metals including copper and gold.

Target Mine No.2 is located at the headstream of Dumuhe, Hulin City, Heilongjiang Province, the PRC. Target PRC is the holder of the exploration permit in respect of Target Mine No.2. The exploration area covered by such exploration permit is 83.02 sq. km. The exploration permit has been granted by the Ministry of Land and Resources, the PRC and is valid for a period between 16 April 2008 and 16 April 2011. The predominant resources in Target Mine No.2 are various kinds of metals including copper and gold.

Target Mine No.3 is located at No. 290 Highland, Hulin City, Heilongjiang Province, the PRC. Target PRC is the holder of the exploration permit in respect of Target Mine No.3. The exploration area covered by such exploration permit is 18.37 sq. km. The exploration permit has been granted by the Ministry of Land and Resources, the PRC and is valid for a period between 5 November 2008 and 5 November 2011. The predominant resources in Target Mine No.3 are various kinds of metals including copper and gold.

The Target Mines are still in early stage of exploration. As advised by the Company's PRC legal advisers, according to the confirmation provided by the Office of Land and Resources of Hei Long Jiang Province (黑龍江省國土資源廳), the PRC, the predominant mineral of the Target Mine No.1 and Target Mine No.2 are not regarded as business prohibited by foreign investment as stipulated in the applicable PRC regulation ("外商投資產業指導目錄"), thus the subscription of the capital in Target PRC by Target HK does not create any legal obstacles for the renewal of the exploration permits held by the Target PRC. The Company's PRC legal advisers also advised that after the payment of the necessary fees for obtaining exploitation permit (currently ranging from RMB200 to RMB500 for each permit subject to the size of the mine) and annual exploitation fee (currently RMB1,000 per sq. km. per annum), there are no major legal impediments for Target PRC to change its holding of the exploration permits to holding the exploitation permits. However, as advised by the Company's PRC legal advisers, the successful renewal of the exploration permits and the obtaining of exploitation permits are 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.

Further details regarding the Target Mines are included in the technical report set out in Appendix IV to the circular. As disclosed in page IV-3 of Appendix IV to the Circular, all the Target Mines are already under an exploration stage but there are no mineral resource estimates so far. Given that it is the intention of the Group to first exploit gold instead of other mineral resources and the mining of such other resources may not be commercially justifiable as compared with gold mining, the technical report only covers gold prospecting resources, and does not cover resources of other kinds of metals.

As per mining schedule prepared by the management of the Company, the mining operations of the Target Mines are estimated to last for up to year 2014 with a total actual production of 18.79 tons. Target Mine No.1 and Target Mine No.2 are planned to be formally put into production in 2010 while Target Mine No.3 will be formally put into production on 2011. The total quantity of gold produced from the Target Mines is expected as follow:

	Target Mine No.1 and Target Mine No.2	**Target Mine No.3**
Year 2010	1.0 tons	Nil
Year 2011	2.0 tons	0.5 tons
Year 2012	4.0 tons	1.0 tons
Year 2013	4.0 tons	1.5 tons
Year 2014	3.1 tons	1.69 tons
Total	**14.1 tons**	**4.69 tons**

RISK FACTORS

The Directors would like to draw the attention of the Shareholders to the following risk factors in connection with the Acquisition.

Exploration permits and mining permits

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

As indicated in the paragraphs headed "Information on the Target Group and the Target Mines – The Target Mines", although the Company has received advice from its legal advisers as to PRC law that there are no major legal impediments for Target PRC to change its holding of the exploration permits to holding of the exploitation permits, the obtaining of exploitation permits are subject to the applicable PRC rules and regulations at the time of applying for the renewal and/or the relevant permits and also to the administrative decision of the Ministry of Land and Resources. It is possible that the exploration permits may not be renewed and/or the application for any relevant exploitation permit may be refused.

Significant and continuous capital investment

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

Policies and regulations

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

Uncertainty of resource estimate

The Consideration was determined based on, among other matters, the valuation for the mining rights of the Target Mine No. 1 and the Target Mine No. 2 prepared by Norton Appraisals Limited. The valuation reports prepared by Norton Appraisals Limited in relation to the mining rights of the Target Mines (as set out in Appendices VA and VB to this circular) were prepared based on the technical report prepared by SRK Consulting China Limited (as set out in Appendix IV to this circular) and management's mining schedules as well as the resource estimation conducted by Guangzhou

Geochemistry Institute of Chinese Academy of Science, which resource estimation is a premature estimate. In the event that the actual reserve represents materially less than the mineral resource estimate which the said valuation based on, the Group's future development and financial position will be adversely affected.

Environmental protection policies

The exploitation and exploration business is subject to environmental protection law and regulations in the PRC. If the Group fails to comply with existing or future environmental laws and regulations, the Group may be required to take remedial measures, which could have a material adverse effect on our business, operations, financial condition and results of operations.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the partial exercise of the Convertible Bonds which the Vendor and parties acting in concert with it would not control or be interested in more than 29% of the entire issued Shares and (iii) immediately after the exercise of the Convertible Bonds are as follows:

	As at the Latest Practicable Date		**Immediately after the partial exercise of the Convertible Bonds which the Vendor and parties acting in concert with it would not control or be interested in more than 29% of the entire issued Shares**		**Immediately after the exercise of the Convertible Bonds**	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
The Vendor and parties acting in concert with it						
– Existing Shares	163,550,000	10.05	163,550,000	7.93	163,550,000	4.74
– Shares to be issued after the exercise of the Convertible Bonds	–	–	434,357,768	21.07	1,818,181,813	52.77
The Vendor and parties acting in concert with it	163,550,000	10.05	597,907,768	29.00	1,981,731,813 *(Note 2)*	57.51
Mr. Wong Wa Tak, a Director *(Note 1)*	1,600,000	0.10	1,600,000	0.08	1,600,000	0.05
Other existing public Shareholders	1,462,243,158	89.85	1,462,243,158	70.92	1,462,243,158	42.44
Total	1,627,393,158	100.00	2,061,750,926	100.00	3,445,574,971	100.00

Note: 1. These 1,600,000 Shares were held under the name of Master Hill Development Limited, 50% of which shareholding was held and beneficially owned by Wong Wa Tak.

2. As the Vendor agreed that no Convertible Bond may be converted, to the extent that following such conversion, the Vendor and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in more than 29% of the entire issued Shares, the Completion would not lead to a general offer obligation by the Vendor.

REASONS FOR THE ACQUISITION

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

The Company notes that the prices of gold are on the upward trend over the past few years. As the Target Mines are estimated to have abundant reserve of gold resources, the Directors consider it desirable to expand the Group's resources-related projects into those containing precious metal resources. The Directors believe that the economy of the PRC will continue to grow, the national demand of gold will continue to rise in the near future. The Directors therefore believe that the Acquisition can bring a diversified portfolio and favourable returns to the Group.

Currently, the Company does not have any capital commitment in relation to the exploration in the Target Mines. Upon Completion, Target PRC will continue to carry out the exploration work in Target Mines. It will also apply for the relevant mining operation permit in accordance with the applicable PRC laws and regulations. Upon completion of the exploration phase, it is planned that exploitation and processing of minerals will (assuming the Completion) be conducted by Target PRC subject to the relevant PRC laws and regulations. The Acquisition is anticipated to be beneficial to the Company and enable the Company to generate income and cash flow from investment and trading activities in the natural resources sector.

According to the feasibility report conducted by Guangzhou Geochemistry Institute of Chinese Academy of Science in June 2009, potential gold resources at the Target Mines were prematurely estimated based on the anomalous length, width and inferred depth of mineralized zones shown on the remote sensing maps. Target Mine No.1, Target Mine No. 2 and Target Mine No.3 have gold prospecting resources of 5.59 tonnes, 10.07 tonnes and 5.21 tonnes, respectively. The Directors expect that subject to all relevant approvals and permits being obtained, the mining operations of Target Mine No. 1 and Target Mine No. 2 will commence in 2010 while the mining operation of Target Mine No. 3 will commence in 2011. Although there are risks associated with the Acquisition and the operations of the Target Mines, which are stated in the paragraph headed "Risk factors" above, and the potential gold resources at the Target Mines were only prematurely estimated, considering (i) the advice from the Group's PRC legal advisers that the predominant mineral of the Target Mines are not regarded as business prohibited by foreign investment as stipulated in the applicable PRC regulation ("外商投資產業指導目錄"), thus the subscription of the capital in Target PRC by Target HK does not create any legal obstacles for the renewal of the exploration permits held by the Target PRC and there are no major legal impediments for the Target PRC to obtain the exploitation permits after the required payments; (ii) the Group has sufficient financial resources to finance the estimated expenses of RMB46.0 million of exploitation, exploration and production works before the Target Mines start to generate revenue in 2010 to the Enlarged Group as stated in the paragraph headed "Working Capital" in Appendix I to this circular; (iii) the prices of gold are on the upward trend over the past few years; (iv) the Acquisition provides an opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group; and (v) the Consideration of RMB360 million represents at least 34% discount to the valuation attributed by the Target Mines of RMB547.17 million, the Directors consider the Acquisition is beneficial to the Company and its Shareholders as a whole.

For the reasons given above, the Directors believe that the Acquisition would enhance the future growth and profitability of the Group.

Taking into account the benefits of the Acquisition, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

Prior to the Acquisition, the Company does not hold any interest in the Target Group. Upon completion of the Acquisition, the Company will own the entire equity interest in Target BVI and Target HK and 65% of the registered capital of Target PRC (partly paid up), and the financial results of the Target Group will be consolidated into the Group's financial statements.

Earnings

The Group recorded an audited consolidated loss of approximately HK$10.0 million for the year ended 31 March 2009. According to the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular, the unaudited consolidated loss of the Enlarged Group for the year ended 31 March 2009 would be approximately HK$16.0 million upon completion of the Acquisition.

Assets

As at 31 March 2009, the audited total assets of the Group were approximately HK$315.7 million. As set out in the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma total assets of the Enlarged Group would be increased by approximately HK$633.5 million to approximately HK$949.2 million upon completion of the Acquisition, where the unaudited pro forma net assets of the Enlarged Group would be increased by approximately HK$234.9 million to approximately HK$509.1 million. The increase in unaudited total assets is mainly attributable to the exploration and evaluation assets of the Target Mines.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK$41.4 million as at 31 March 2009. As set out in the pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma total liabilities of the Enlarged Group would be increased by approximately HK$398.7 million to approximately HK$440.1 million. The increase is mainly attributable to the issue of the Convertible Bonds as part of the Consideration.

FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in investment in energy and resources related projects and production of raw materials for power generation and construction of highways in the PRC. As disclosed in the annual report of the Company for the year ended 31 March 2009, the Group will continue to take a prudent yet proactive approach and focus on seeking investment opportunities of energy and resources–related projects to capture the business opportunities arising from China's rapid economic development.

Looking forward, in view of the rapid opening up of the PRC market and the continued growth of the PRC economy, the Group will continue to explore new investment opportunities in the PRC market. The Group is also intending to pursue the Acquisition, being the subject matter of this circular. Despite the recent global financial crisis, the Group's management remains positive about the prospects of the energy segment and expects continuous growth in demand for gold in PRC in the near future. Going forward, the Enlarged Group will continue its existing business and to explore other investment opportunities in the energy and natural resources industries that have earning potentials in order to expand its existing operations and to diversify its business. With the committed efforts of the staff and management, the Directors are confident and optimistic on the prospects of the Enlarged Group. The expansion plans of the Enlarged Group will be principally financed by the internal resources of the Enlarged Group or other financial resources (such as issue of new Shares or available banking facilities of the Enlarged Group) as the Directors may think fit. Taking into account the existing cash and bank balances, banking facilities and other internal resources available, the Directors, after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least two years from the date of this circular. The Enlarged Group will not have any material funding requirement for the two year period following the issue of this circular.

The Directors will evaluate the available cash level of the Enlarged Group in about one month's time subsequent to the Completion and may consider redeeming part of the Promissory Note issued to the Vendor in the principal amount of not more than RMB180,000,000 so as to reduce the interest expenses payable by the Enlarged Group under the Promissory Note. The Directors would consider the then level of working capital, the level of interests saved from redemption and the availability of any other possible business opportunities when determining the amount of Promissory Note to be redeemed.

UPDATE ON THE GROUP'S OTHER BUSINESS DEVELOPMENT

The Group has been transforming to focus its development on energy and resources businesses, which are still at a developing stage. The following sets out briefly the progress of the Group's current projects.

1. CNPC Sino Prosper Petroleum and Gas Company Limited (中油中盈石油燃氣銷售有限公司) ("CNPC")

CNPC, a 95%-owned subsidiary of the Group, is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The business of wholesale of fuel oil has already commenced in 2008. For the year ended 31 March 2009, a total of approximately RMB12.2 million was injected by the joint venture parties as part of its entire registered capital. During the year ended 31 March 2009, CNPC recorded a turnover of approximately RMB19.2 million (equivalent to approximately HK$21.8 million). The Group currently intends to inject the remaining balance of capital contribution of CNPC amounting to approximately HK$40.54 million by the end of 2009.

2. Indonesia-Bitumen Joint Venture Extraction Project

P.T. Sino Prosper Indocarbon ("Indocarbon"), a 65%-owned subsidiary of the Group, has been engaged in mineral resources exploration project in Indonesia. Indocarbon owns the right to carry out general exploration in bitumen mines covering a total of 22,076 hectares of land in Buton, Indonesia, and has been granted four licences by the Government of the North Buton Administrative Region to conduct regional detailed exploration work within the exploratory area. These licences are valid for three years commencing from 6 November 2007 and can be extended for another two years upon expiry. Due to the economic downturn and significant decrease of oil price, the Group has slowed down exploration works of the relevant bitumen mines. In light of the change of economic conditions and the trend of oil price, the Group will carefully evaluate the progress of the exploration works in the second half of 2009. The Group currently expects approximately HK$15,000,000 will be spent on the exploration project in Indonesia in the fourth quarter of 2009.

3. Hainan Tairui Mineral Development Company Limited (海南泰瑞礦產開發有限公司) ("Hainan Tairui")

Hainan Tairui, a 95%-owned subsidiary of the Group, has the requisite licence for processing of minerals and the mining, smelting as well as the sales of ferrous and non-ferrous products in the PRC. Due to serious economic downturn since late 2008, customers' demand on copper concentrate has substantially dropped. The sales teams then stopped the trading of copper concentrate powder and commenced to explore business opportunity in trading of other ferrous and non-ferrous products. There was no material progress up to the Latest Practicable Date. Given that Hainan Tairui would normally purchase its trade products after receiving order from customers, the Company of the view that Hainan Tairui has sufficient capital for its own operation.

The table below sets out the latest cash and bank balances of the Group and the time schedule for major cash applications of the Group in the next 12 months:

Items	Amount	Expected time frame
Cash and bank balances of the Group as at 31 July 2009	HK$288.3 million	N/A
Major cash application of the Group:		
(i) Redemption of part of the Promissory Note	Not more than HK$204.5 million (equivalent to approximately RMB180 million)	4th quarter of 2009
(ii) Expenses for exploration and foundation works for the Target Mines prior to generation of revenue	HK$52.3 million (equivalent to approximately RMB46.0 million)	4th quarter of 2009 and 1st quarter of 2010
Items	**Amount**	**Expected time frame**
(iii) Capital contribution of CNPC	HK$40.54 million	4th quarter of 2009
(iv) Expenses for exploration project in Indonesia held by Indocarbon	HK$15 million	4th quarter of 2009

The Directors confirm that the business plans and the intended application of cash disclosed in this circular were made after due and careful consideration of the Directors.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

(I) Target BVI

Target BVI was incorporated in the BVI with limited liability on 10 October 2007 and the principal activity of Target BVI is investment holding.

For the period from 10 October 2007 (date of incorporation) to 31 March 2009

Operational review

Target BVI did not generate any revenue from its incorporation on 10 October 2007 (date of incorporation) to 31 March 2009. For the period from 10 October 2007 to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009, the audited loss of Target BVI was nil, HK$15,600 and nil respectively.

Liquidity and financial resources

As at 31 December 2007, the audited total assets and total liabilities of Target BVI were HK$8 and nil respectively. It had a current asset of HK$8 which comprised an amount due from a director.

As at 31 December 2008 and 31 March 2009, the total assets of Target BVI were nil and nil respectively. As at 31 December 2008 and 31 March 2009, the total liabilities of Target BVI were HK$15,592 and HK$15,592 respectively, which comprised an amount due to a director.

As at 31 December 2007, 31 December 2008 and 31 March 2009, the gearing ratio (total borrowings to total assets) of Target BVI was nil, nil and nil because Target BVI did not have any borrowings.

Capital structure

As at 31 December 2007, 31 December 2008 and 31 March 2009, the issued share capital of Target BVI was US$1 (equivalent to approximately HK$8), comprise of 1 issued and fully paid ordinary share of US$1.

Significant investments, material acquisition and disposals

Target BVI did not have any significant investments, material acquisition or disposals for the period from 10 October 2007 to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009.

Employee information

Since the Target BVI is an investment holding company, no employee information is available as at 31 December 2007, 31 December 2008 and 31 March 2009.

Charge on group assets

As at 31 December 2007, 31 December 2008 and 31 March 2009, no asset of Target BVI was pledged.

Contingent liabilities

As at 31 December 2007, 31 December 2008 and 31 March 2009, Target BVI had no significant contingent liabilities.

(II) Target HK

Target HK was incorporated in Hong Kong with limited liability on 21 August 2008.

For the period from 21 August 2008 (date of incorporation) to 31 March 2009

Operational review

Target HK did not generate any revenue since its incorporation on 21 August 2008 (date of incorporation) to 31 March 2009. For the period from 21 August 2008 to 31 December 2008 and the three months period ended 31 March 2009, the audited loss of Target HK was HK$6,610 and HK$5,420, which were mainly attributed from the general and administrative expenses incurred in the respective period.

Liquidity and financial resources

As at 31 December 2008 and 31 March 2009, Target HK had total assets of HK$590 and HK$590 respectively.

The current assets of Target HK as at 31 December 2008 and 31 March 2009 were HK$590 and HK$590, which comprised the bank balances. The current liabilities of Target HK as at 31 December 2008 and 31 March 2009 were HK$7,199 and HK$12,619 respectively, which comprised an amount due to a director of HK$7,199 and HK$12,619 respectively as at 31 December 2008 and 31 March 2009.

In addition, as at 31 December 2008 and 31 March 2009, the gearing ratio (total borrowings to total assets) of Target HK was nil and nil because Target HK did not have any borrowings.

Capital structure

As at 31 December 2008 and 31 March 2009, the issued share capital of Target HK was HK$1, comprise of 1 issued and fully paid ordinary share of HK$1.

Significant investments, material acquisition and disposals

For the period from 21 August 2008 to 31 December 2008, Target HK did not have any significant investments, material acquisition or disposals.

In March 2009, Target HK entered into a capital increase and subscription agreement with the two Independent Third Parties pursuant to which Target HK is required to contribute RMB5.2 million (equivalent to approximately HK$5.9 million) in order to acquire 65% interests in Target PRC. Save as disclosed above, Target HK did not have any significant investments, material acquisition or disposals during the three months period ended 31 March 2009.

Employee information

Since Target HK is an investment holding company, no employee information is available as at 31 December 2008 and 31 March 2009.

Charge on group assets

As at 31 December 2008 and 31 March 2009, no asset of Target HK was pledged.

Contingent liabilities

As at 31 December 2008 and 31 March 2009, Target HK had no significant contingent liabilities.

(III) Target PRC

Target PRC was established on 15 February 2007. The current business scope of Target PRC includes the wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at places in respect of which exploration permits have been obtained.

For the period from 15 February 2007 (date of establishment) to 31 March 2009

Operational review

Target PRC did not generate any revenue from its establishment on 15 February 2007 to 31 March 2009. For the period from 15 February 2007 to 31 December 2007, year ended 31 December 2008 and the three months period ended 31 March 2009, the audited loss of Target PRC was HK$16,650, HK$91,173 and HK$88,102 respectively. The loss in these periods were mainly attributed from the general and administrative expenses incurred in the respective periods.

Liquidity and financial resources

As at 31 December 2007, 31 December 2008 and 31 March 2009, the non-current assets of Target PRC were nil, HK$327,423 and HK$329,220 respectively. The non-current assets in these periods were attributed by an exploration and evaluation assets.

As at 31 December 2007, 31 December 2008 and 31 March 2009, the current assets of Target PRC were HK$517,764, HK$144,212 and HK$119,639 respectively, which comprised of other receivables of approximately HK$808, HK$1,808 and HK$36,530 respectively, amount due from a shareholder of HK$73,610, nil and nil respectively, and bank balances and cash of HK$443,346, HK$142,404 and HK$83,109 respectively as at 31 December 2007, 31 December 2008 and 31 March 2009.

As at 31 December 2007, 31 December 2008 and 31 March 2009, the current liabilities of Target PRC were nil, HK$13,575 and HK$79,460, which comprised of other payables of nil, HK$2,865 and HK$43,740 respectively and amount due to a shareholder of nil, HK$10,710 and HK$35,720 as at 31 December 2007, 31 December 2008 and 31 March 2009 respectively.

In addition, as at 31 December 2007, 31 December 2008 and 31 March 2009, the gearing ratio (total borrowings to total assets) of Target PRC was nil, nil and nil because Target PRC did not have any borrowings.

Capital structure

As at 31 December 2007, 31 December 2008 and 31 March 2009, Target PRC had paid-up capital of RMB500,000 (equivalent to approximately HK$505,000).

Significant investments, material acquisition and disposals

For the period beginning 15 February 2007 and ended 31 December 2007, the year ended 31 December 2008 and the three-month period ended 31 March 2009, there were no significant investment, material acquisition and disposal of subsidiaries and affiliated companies.

Employee information

As at 31 December 2007, 31 December 2008 and 31 March 2009, Target PRC employed a total number of 2, 2 and 5 employees. The staff costs were HK$12,600, HK$40,532 and HK$10,220 for the period from 15 February 2007 (date of establishment) to 31 December 2007, the year ended 31 December 2008 and the three-month period ended 31 March 2009 respectively.

Charge on group assets

As at 31 December 2007, 31 December 2008 and 31 March 2009, no asset of Target PRC was pledged.

Contingent liabilities

As at 31 December 2007, 31 December 2008 and 31 March 2009, Target PRC had no significant contingent liabilities.

IMPLICATION OF THE ACQUISITION UNDER THE LISTING RULES

The Vendor is a connected person by virtue of him being a Director and a substantial Shareholder holding approximately 10.05% of the issued share capital of the Company as at the Latest Practicable Date. As such, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Acquisition also constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM.

The Vendor did not participate in the relevant Board meeting for discussion nor vote in approving the Board resolution on the Acquisition Agreement and issue of the Convertible Bonds and the Promissory Note.

EGM

The EGM will be convened at which a resolution will be proposed to seek the approval of Shareholders by way of poll for the transactions contemplated under the Acquisition Agreement, including, amongst other things, the Acquisition, the issue of the Convertible Bonds and the grant of the specific mandate to allot and issue the Conversion Shares (upon exercise of the conversion right attaching to the Convertible Bonds). In accordance with the Listing Rules, the Vendor and his associates will abstain from voting on the resolution to approve the Acquisition. Any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

RECOMMENDATIONS

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

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

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 30 to 51 of this circular and the information set out in the appendices of this circular.

Yours faithfully,
By Order of the Board
Sino Prosper Holdings Limited
Yeung Kit
Executive Director

SINO PROSPER HOLDINGS LIMITED
中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 766)

31 August 2009

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular to the Shareholders dated 31 August 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

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

Having considered the Acquisition and the terms of the Acquisition Agreement and the advice of Independent Financial Adviser in relation thereto as set out from pages 30 to 51 of the Circular, we consider that the terms of the Acquisition are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM attached to this circular to approve the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

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

The following is the text of a letter of advice from Grand Cathay Securities (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition.

大華證券(香港)

GRAND CATHAY SECURITIES (HONG KONG) LIMITED
香港中環花園道3號中國工商銀行大廈7樓705至706室
Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

31 August 2009

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

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders with regard to the Acquisition, details of which are set out in the section headed "Letter from the Board" (the "Letter") in the Company's circular dated 31 August 2009 (the "Circular") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 April 2009, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Share and the Sale Loan, at a total consideration of RMB300 million (equivalent to approximately HK$340.9 million) (subject to adjustment).

Pursuant to the terms of the Acquisition Agreement, the Consideration shall be satisfied by (i) the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor at Completion, and (ii) the Purchaser (or the Company (if mutually agreed by both parties)) issuing the Promissory Note to the Vendor on Completion.

The Vendor is a connected person by virtue of him being a Director and a substantial Shareholder holding approximately 10.05% of the issued share capital of the Company as at the Latest Practicable Date. As such, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Acquisition also constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the Listing Rules, the Vendor and his respective associates will abstain from voting on the resolution to approve the Acquisition and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

Mr. Chan Sing Fai, Mr. Cai Wei Lun and Mr. Leung Wai Cheung, being all the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions to be proposed regarding the Acquisition, the terms of the Acquisition Agreement and the transactions contemplated thereunder. Our role as the Independent Financial Adviser is to give our independent opinion to the Independent Board Committee and Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all information, opinion 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 at the date hereof.

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, opinion and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors. 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 consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have performed all applicable steps as required under Rule 13.80 of the Listing Rules including the notes thereto. We have relied on such information, opinions and representations but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group and the Target Group or the market in which they operate.

We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Acquisition Agreement. We have assumed that all material governmental, regulatory or other consents, rights, waivers, authorizations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Acquisition Agreement have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Acquisition Agreement.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Acquisition. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

(1) Financial performance of the Group, reasons for the Acquisition and the trend of gold price

Financial performance of the Group

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

Based on the annual report of the Group for the year ended 31 March 2009 ("2009 Annual Report"), the Group recorded total turnover of approximately HK$31.3 million which comprises a turnover of (i) approximately HK$21.8 million from the sale of fuel oil and chemicals (2008: approximately HK$1.9 million); and (ii) approximately HK$9.5 million from the sale of steel products (2008: Nil). For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$82.8 million from the sale of copper concentrate powder. Total turnover of the Group in 2009 decreased by approximately 63% as compared to the corresponding period in 2008. As advised by the Directors, such decrease was mainly due to the Group failed to generate turnover from the sale of copper concentrated powder.

Despite the drop in turnover, the Group's net loss attributable to Shareholders reduced to approximately HK$9.8 million in 2009 as compared to that of approximately HK$27.4 million in 2008. As advised by the Directors, the improvement of the financial performance in 2009 was mainly due to the decrease in general and administrative expenses from approximately HK$33.4 million in 2008 to approximately HK$16.3 million in 2009.

According to the Directors, the Group has been transforming to focus its development on energy and resources business, which are still at a developing stage. Based on the 2009 Annual Report, the progress of these projects is set out briefly below.

CNPC Sino Prosper Petroleum and Gas Company Limited ("CNPC")

CNPC, a 95%-owned subsidiary of the Group, is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The business of wholesale of fuel oil has already commenced in 2008. For the year ended 31 March 2009, a total of approximately RMB12.2 million was injected by the joint venture parties as part of its entire registered capital. During the year ended 31 March 2009, CNPC recorded a turnover of approximately RMB19.2 million (equivalent to approximately HK$21.8 million).

Indonesia-Bitumen Joint Venture Extraction Project

P.T. Sino Prosper ("Indocarbon"), a 65%-owned subsidiary of the Group, has been engaged in mineral resources exploration project in Indonesia. Indocarbon owns the right to carry out general exploration in bitumen mines covering a total of 22,076 hectares of land in Buton, Indonesia, and has been granted four licences by the Government of the North Buton Administrative Region to conduct regional detailed exploration work within the exploratory area. These licences are valid for three years commencing from 6 November 2007 and can be extended for another two years upon expiry.

Due to the economic downturn and significant decrease of oil price, the Group has slowed down exploration works of the relevant bitumen mines. In light of the change of economic conditions and the trend of oil price, the Group will carefully evaluate the progress of the exploration works in the second half of 2009.

Hainan Tairui Mining Development Company Limited ("Hainan Tairui")

Hainan Tairui, a 95%-owned subsidiary of the Company, has the requisite licence for processing of minerals and the mining, smelting as well as the sales of ferrous and non-ferrous products in the PRC. Due to serious economic downturn since late 2008, customers' demand on copper concentrate has substantially dropped. The sales teams then stopped the trading of copper concentrate powder and commenced to explore business opportunity in trading of other ferrous and non-ferrous products.

Reasons for the Acquisition

As stated in the Letter, the Company notes that the prices of gold are on the upward trend over the past few years. As the Target Mines are estimated to have abundant reserve of gold resources, the Directors consider it desirable to expand the Group's resources-related projects into those containing precious metal resources. The Directors believe that the economy of the PRC will continue to grow, the national demand of gold will continue to rise in the near future. The Directors therefore believe that the Acquisition can bring a diversified portfolio and favourable returns to the Group.

It is the intention of the Group to only exploit gold instead of other mineral resources and the mining of such other resources are not commercially justifiable comparing with gold mining.

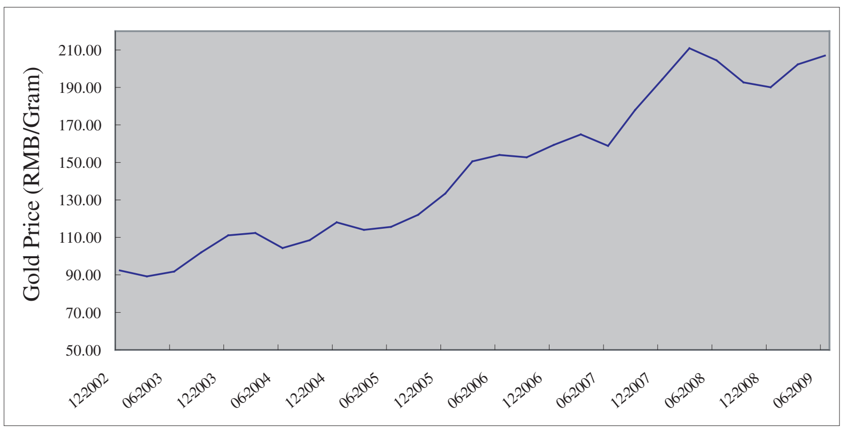
We have been advised by the Directors that the Company does not have any capital commitment in relation to the exploration in the Target Mines. Upon Completion, the Target PRC will continue to carry out the exploration work in the Target Mines. It will also apply for the relevant mining operation permit in accordance with the applicable PRC laws and regulations. Upon completion of the exploration, it is planned that exploitation and processing of minerals will (assuming the Completion) be conducted by the Target PRC subject to the relevant PRC laws and regulations. The Acquisition is anticipated to be beneficial to the Company and enable the Company to generate income and cash flow from investment and trading activities in the natural resources sector.

For the reasons given above, the Directors believe that the Acquisition would enhance the future growth and profitability of the Group.

Taking into account the benefits of the Acquisition, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The trend of gold price in the PRC

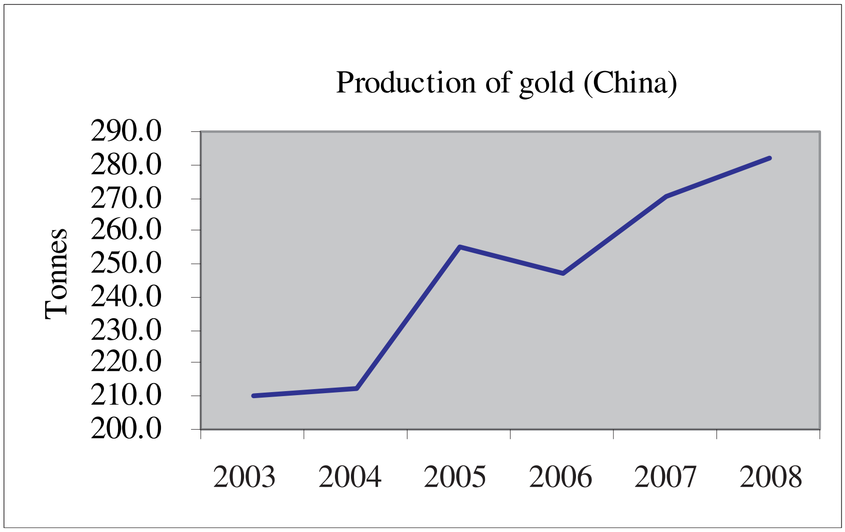
The graph below shows the quarterly closing price of gold as quoted on Shanghai Gold Exchange (SHGF9995):



Source: Bloomberg

As noted from the above table, the gold price as quoted on Shanghai Gold Exchange (SHGF9995) reflected an upward trend in the past few years despite a slight fall in the year end closing price in 2008. As quoted on the Shanghai Gold Exchange (SHGF9995), the closing gold price per gram as at 30 June 2009 was RMB207, representing an increase of approximately 124%, as compared to that of RMB92.37 as at 31 December 2002.

The below graph illustrates the annual production of gold in the PRC.



Source: Euromonitor International

The above graph shows that the annual production of gold in the PRC had increased from 210.1 tonnes in 2003 to 282.0 tonnes in 2008, representing an increase of approximately 34.2%.

Conclusion

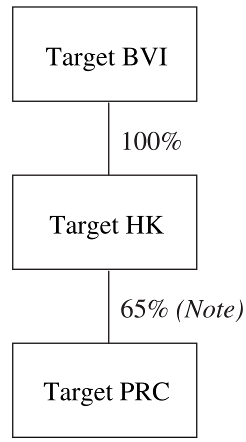
Having considered (i) the reasons of the Acquisition; and (ii) the trend of gold price in the PRC and the annual production of gold in the PRC as set out in the previous paragraphs, we consider that the Acquisition represents an opportunity for the Group to further diversify its resource business into a potential profitable sector which may improve the current financial performance of the Group. On the above basis, we concur with the Directors that the Acquisition is in the interests of the Company and its Shareholders as a whole.

(2) The key terms of the Acquisition Agreement

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Share (being the entire issued share capital of Target BVI) and the Sale Loan. The Sale Share represents the entire issued share capital of Target BVI and the Sale Loan represents 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 Completion. As at the date of the Acquisition Agreement, the Sale Loan amounted to approximately HK$1.22 million.

Set out below is a group chart of the Target Group:



Note: Subject to full payment of registered capital of Target PRC by Target HK

The Target BVI is a company incorporated in the BVI and 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 expected to own 65% of the registered and paid up capital of the Target PRC. The current business scope of the Target PRC includes the wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places which have obtained the exploration permits. As stated in the Letter, the Target PRC is the holder of the exploration permits of the Target Mines.

Pursuant to the Letter, there is an outstanding registered capital of the Target PRC payable by Target HK of RMB4.16 million (equivalent to approximately HK$4.73 million). Pursuant to the terms of the Acquisition Agreement, the Group is required to contribute such outstanding registered capital of Target PRC after Completion and such amount has to be paid on or before 1 October 2009 according to the approval issued by Harbin Economic Cooperation and Promotion Bureau (哈爾濱市經濟合作促進局). Subsequent to the subscription of the Target PRC by Target HK, the registered capital and the total investment of the Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.2 million) respectively.

Upon Completion and fully paid up of the registered capital of Target PRC, the financial results of the Target Group will be consolidated into the Group's financial statement.

Information on the Target Mines

Target Mine No.1 is located at Paoshouying Dongshan, Hulin City, Heilongjiang Province, the PRC. As stated in the Letter, the exploration permit held by Target PRC has been granted by the Department of Land and Resources, PRC, covering an exploration area of 94.92 sq. km. and is valid for a period between 16 April 2008 and 16 April 2011.

Target Mine No.2 is located at the headstream of Dumuhe, Hulin City, Heilongjiang Province, the PRC. As stated in the Letter, the exploration permit held by Target PRC has been granted by the Department of Land and Resources, PRC, covering an exploration area of 83.02 sq. km. and is valid for a period between 16 April 2008 and 16 April 2011.

Target Mine No.3 is located at No. 290 Highland, Hulin City, Heilongjiang Province, the PRC. As stated in the Letter, the exploration permit held by Target PRC has been granted by the Department of Land and Resources, PRC, covering an exploration area of 18.37 sq. km. and is valid for a period between 5 November 2008 and 5 November 2011.

We refer to the technical report on the Mine ("Technical Report") performed by SRK Consulting China Limited ("Technical Adviser") as set out in the Appendix VI to the Circular. Pursuant to the Technical Report, the work program of the Technical Adviser consisted of a review of data provided by Target PRC and the Company, travel to the project site in Hulin County in Heilongjiang Province, PRC; inspection of Target PRC's property, including field observations, interviews with the representatives of the Company and exploration staff, analysis of the data provided, and preparation of the Technical Report. The Company and Target PRC have warranted to the Technical Adviser that full disclosure has been made of all material information and that, to the best of their knowledge and understanding, such information is complete, accurate and true.

The Technical Report has been prepared to the standard of and is considered by the Technical Adviser to be a technical assessment report under the guidelines of the Valmin Code. The Valmin Code is the code adopted by the Australasian Institute of Mining and metallurgy and incorporates the Joint Ore Reserves Committee Code for the reporting of Mineral Resources and Ore Reserves.

As stated in the Technical Report, the Target Mines are still in its early stage of exploration and there are no mineral resource estimates so far. The Technical Adviser was informed that the mineral resource/reserve estimation, following the Chinese Resource Category System, will be carried out after completion of further exploration programs. According to the feasibility report conducted by Guangzhou Geochemistry Institute of Chinese Academy of Science ("GGICAS") in June 2009, potential gold resources at the Target Mines were prematurely estimated based on the anomalous length, width and inferred depth of mineralized zones shown on the remote sensing maps. Target Mine No.1, Target Mine No. 2 and Target Mine No.3 have gold prospecting resources of 5.59 tonnes, 10.07 tonnes and 5.21 tonnes, respectively.

According to the Technical Report, the Technical Adviser should emphasize that the resource statement is only possible mineral resource prediction and that it should be used with caution. It is the Technical Adviser's opinion that, prior to having a resource statement, much more exploration programs, such as trenches and drill holes with detailed sampling, are needed to control the length, width and depth of each mineralized zone/body.

We would like to remind the Independent Shareholders that the gold resources of the Target Mines may not conform to the estimated level as stated by GGICAS. Any failure in discovering gold or in attaining commercial production 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. Independent Shareholders are also advised to pay attention to the risk factors associated with the Acquisition disclosed in the paragraph headed "Risk Factors" in the Letter.

Consideration and valuation

Consideration

Pursuant to the terms of the Acquisition Agreement, the original Consideration is RMB300 million (equivalent to approximately HK$340.9 million) (subject to adjustment).

The Consideration was determined by the Vendor and the Purchaser on the basis of normal commercial terms and arm's length negotiation by reference to, inter alia: (i) the Target PRC is the holder of the exploration permits of the Target Mines; (ii) the expected valuation for the mining rights of Target Mine No.1 and Target Mine No.2 to be not less than RMB500 million (equivalent to approximately HK$568.2 million); and (ii) the opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group.

The Consideration is subject to adjustment based on the valuation for the mining rights of Target Mine No.1 and Target Mine No.2. The valuation of the Target Mine No.3 is not subject to any adjustment of the Consideration. Given the valuation for the mining rights of Target Mine No. 1 and Target Mine No. 2 as assessed by the independent valuer, Norton Appraisals Limited, appointed by the Purchaser is more than RMB600 million (equivalent to approximately HK$681.8 million), the Consideration shall be adjusted and increased to RMB360 million (equivalent to approximately HK$409.1 million).

As detailed in the Letter, the Vendor entered into the Subscription Agreement with the existing shareholders of the Target PRC in March 2009. We note that the estimated cost incurred by the Vendor for the Target Group ("Vendor's Initial Cost") which amounted to approximately HK$1.2 million but the Consideration (after the adjustment) of the Acquisition Agreement is RMB360 million (equivalent to approximately HK$409.1 million). At Completion, the Vendor will obtain a significant premium of approximately HK$407.9 million.

In forming our view on the fairness and reasonableness of the Consideration, we compare the fair market value of the Target Mines, which is the valuation by a professional independent valuer, to the Consideration instead of the Vendor's Initial Cost since the fair market value is the current genuine value of the Target Mines. Therefore, we have not considered the Vendor's Initial Cost to be a factor in forming our view on the fairness and reasonableness of the Consideration.

Valuation

According to the valuation report in respect of 100% equity interest of Target Mine No.1 and Target Mine No.2 prepared by Norton Appraisals Limited (the "Valuer"), the text of which is set out in Appendix VA to the Circular, the fair value of 100% equity interest of Target Mine No.1 and Target Mine No.2 as at 22 July 2009 ("Date of Appraisal") is RMB638.8 million. Based on the adjustment mechanism as discussed in the above paragraph, the Consideration shall be adjusted to RMB360 million (equivalent to approximately HK$409.1 million).

According to the valuation report in respect of 100% equity interest of Target Mine No. 3 prepared by the Valuer, the text of which is set out in Appendix VB to the Circular (together with the valuation report set out in Appendix VA to the Circular, the "Valuation Reports"), the fair value of 100% equity interest of Target Mine No.3 as at the Date of Appraisal is RMB211.8 million.

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

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

The principal assumptions and bases adopted in the Valuation Reports are set out in Appendices VA and VB of the Circular. We have checked the assumptions and bases with the mining schedule prepared by the management of Target PRC ("Mining Schedule") and found that the assumptions and bases adopted by the valuer in its valuation of the fair value of the Target Mines cohere with the Mining Schedule. As per the Mining Schedule, the mining operations of the Target Mines is estimated to last for up to 5 years with a total production of approximately 18.79 tonnes, being 5.03 tonnes for Target Mine No.1, 9.06 tonnes for Target Mine No.2 and 4.69 tonnes for Target Mine No.3. It is estimated that the mining operations of Target Mine No.1 and Target Mine No.2 will be commenced in 2010 and the mining operations of Target Mine No.3 will be commenced in 2011. Based on the Mining Schedule, assuming the Completion, the Company will invest approximately RMB46.0 million for the exploitation, exploration and production works before the Target Mines start to generate profit. The market sale price of the gold is referred to Shanghai Gold Exchange (Au 9995) closing price on the Date of Appraisal and have adopted yearly growth rate of 5.05% in respect of the market sale price from 2010 to 2014. Such yearly growth rate of 5.05% is based on 20-year average yearly growth rate of gold price, which taking into consideration of a typical business cycle. In relation to the growth rate of 5.05%, we have checked with the supporting documents provided by the Valuer and considered the adoption of yearly growth rate of 5.05% is fair and reasonable.

The average production cost per unit over the planned extraction phase is about RMB63 per gram and is subject to historical China inflation at an average growth rate of 5.07%. The average production cost includes the exploitation costs, direct labour and government resource surcharge. We have discussed with the Company and the Valuer and noted that such production cost was estimated by the chief operation officer of Target PRC who has over 15 years of experience in exploration works and in this regard, we consider the average production cost per unit over the planned extraction phase is fair and reasonable.

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

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

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

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

We have been advised that the discount rate applied to the Net Cash Flow is developed through the application of the Capital Asset Pricing Model ("CAPM"). The cost of equity is estimated by using the CAPM taking into account of the risk free rate of return (which is the yield of the 5-year government bonds of China), the market risk premium (extracted from Bloomberg), country risk premium (extracted from public information), size premium (adopted from 2008 valuation yearbook, issued by Morning Star, Inc., an independent investment research company), industry risk premium (adopted from 2008 valuation yearbook, issued by Morning Star, Inc., an independent investment research company), pre-operational risk (professional estimation by the valuer) and the beta of 1.02 (which is the industry mean as extracted from the Hong Kong listed companies which principally engaged in gold mining). As per the Mining Schedule, the Company will finance the mining operation by its internal resources, no cost of debts was adopted in the CAPM. In relation to the above data, we have checked with the supporting documents provided by the Valuer and its calculations.

The valuation arrived at by applying the discount rate was further discounted by 20% to reflect the lack of marketability of the investment in Target Mines. According to the Valuer, the lack of marketability discount usually ranges from 0% to 30%. Based on the Valuer's experiences and the nature of the Target Mines, the valuer has adopted 20% discount in its valuation on the Target Mines.

Since we are not professionally qualified in appraisal of any assets or business, our work performed in relation to the valuation basis, assumption and methodologies basically comprises reviewing the data provided by the Valuer (which mainly are the public information) and its calculations and procedures used. Based on our review of the Valuation Reports and discussion with the Valuer regarding, among other things, (i) the scope of work and assumptions of the valuation; (ii) the valuation basis, including the Net Cash Flow, the applied methodologies, in particular the discount rate adopted under the discounted cash flow method; and (iii) the due diligence works performed by the Valuer in preparing the Valuation Reports, we consider that the basis, assumptions and methodologies adopted by the Valuer in the Valuation Reports reasonable. We, however, express no opinion on the actual results of the Net Cash Flow.

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

Given the 100% equity interest in the Target Mines as at the Date of Appraisal valued at RMB841.8 million in aggregate, i.e. RMB630.0 million for Target Mine No.1 and Target Mine No.2 and RMB211.8 million for Target Mine No.3, the 65% equity interest of Target PRC under the Acquisition would be RMB$547.17 million. After compared to the valuation of Target Mines to the adjusted Consideration of RMB360 million and the outstanding registered capital of the Target PRC payable by Target HK of RMB4.16 million, we are of the view that the Consideration is fair and reasonable.

Notwithstanding the Consideration has a significant premium over the Vendor's Initial Cost, after taking into account of (i) the reasons for the Acquisition as discussed in the previous paragraph; (ii) the Acquisition provides an opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group; and (iii) the Consideration of RMB360 million (equivalent to approximately HK$409.1 million) represents at least 34% discount to the valuation of the 65% interests of the Target Mines, we consider that the Acquisition Agreement is in the interests of the Company and the Independent Shareholders as a whole.

Convertible Bonds and Promissory Note

Pursuant to the terms of the Acquisition Agreement, the adjusted Consideration of RMB360 million (equivalent to HK$409.1 million) shall be settled in the following manner: (i) RMB120 million (equivalent to approximately HK$136.4 million) shall be satisfied by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor on Completion; and (ii) the balance of RMB240 million (equivalent to approximately HK$272.7 million) shall be satisfied by the Purchaser (or the Company (if mutually agreed by both parties)) to issue the Promissory Note to the Vendor on Completion.

According to the Letter, set out below are the principal terms of the Convertible Bonds:

Principal amount:	HK$136,363,636 (equivalent to approximately RMB120 million)
Interest:	Interest-free
Maturity Date:	5 years from the date of issue
Conversion Price:	HK$0.075 per Share
Conversion rights	(i) No Convertible Bonds may be converted, to the extent that following such conversion, the Vendor and parties acting in concert with it, taken together, will directly or indirectly control or be interested in more than 29% of the entire issued Shares; and (ii) The Company, at all times, shall use its reasonable endeavours to ensure that the relevant provisions as to the minimum public float requirement of the Listing Rules are complied with. The Bondholder shall not exercise any of the conversion rights attaching to the Convertible Bonds, if following such exercise, the Company's minimum public float cannot be maintained.

Please refer to the section headed "Convertible Bonds" in the Letter for detailed information of the Convertible Bonds.

As stated in the Letter, the Conversion Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to the market price of the Shares prior to the entering into the Acquisition Agreement and the terms of the Convertible Bonds.

The Conversion Price of HK$0.075 per Share represents:

(i) a premium of approximately 7.14% over the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a premium of approximately 2.74% over the average of the closing prices of HK$0.073 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(iii) a premium of approximately 2.74% over the average of the closing prices of HK$0.073 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

To assess the fairness and reasonableness of the terms of the Convertible Bonds, we have reviewed all the convertible bonds issued by the companies listed on the main board of the Stock Exchange as whole or part of the consideration of mergers and acquisition since 1 January 2009 to the Latest Practicable Date (the "CB Comparables"). Due to the fact that the business, operations and prospects of the Company are not the same as the CB Comparables, Independent Shareholders should note that the CB Comparables are only used to provide a general reference for the common market practice of companies listed on the main board of the Stock Exchange in transactions which involved the issue of convertible bonds/notes. Set out below is a summary of our findings:

Date of announcement	Company name	Stock code	Coupon rate (%)	Maturity (years)	Premium/ (discount) of conversion price over/to the closing price as at the last trading date (%)
25 August 2009	Ming Fung Jewellery Group Limited	860	3.00	1.5	1.12
25 August 2009	EPI (Holdings) Limited	689	0.00	20	(28.1)
14/8/2009	Sino Union Petroleum & Chemical International Limited	346	0.00	3	3.40
11/8/2009	Poly Development Holdings Ltd.	1141	0.00	5	(16.72)
28/7/2009	Bel Global Resources Holdings Limited	761	0.00	5	37.61
23/7/2009	Superb Summit International Timber Company Limited	1228	0.20	3	23.08
3/7/2009	China Precious Metal Resources Holdings Co., Ltd.	1194	0.00	2	0.00
15/6/2009	Golden Harvest Entertainment (Holdings) Limited	1132	0.00	6.5 *(Note 1)*	12.67

Date of announcement	Company name	Stock code	Coupon rate (%)	Maturity (years)	Premium/ (discount) of conversion price over/to the closing price as at the last trading date (%)
11/6/2009	China Properties Investment Holdings Limited	736	3.00	3	41.84
11/6/2009	Willie International Holdings Limited	273	2.00	3	0.00
4/6/2009	China Jin Hui Mining Corporation Limited	462	0.00	7	148.00
4/6/2009	China Jin Hui Mining Corporation Limited	462	0.00	10	98.00
3/6/2009	PME Group Limited	379	3.00	3	(50.00)
27/5/2009	Imagi International Holdings Limited	585	0.00	2	(11.76)
22/5/2009	Global Green Tech Group Limited	274	8.00	3	(20.88)
21/5/2009	China Timber Resources Group Limited	269	2.15	3	(33.33)
14/5/2009	China Water Industry Group Limited	1129	0.00	3 *(Note 2)*	(17.65)
10/5/2009	Nubrands Group Holdings Limited	835	0.00	5	(9.10)
6/5/2009	China Yunnan Tin Minerals Group Company Limited	263	1.00	5	(16.67)
5/5/2009	China Star Entertainment Limited	326	6.00	5	(13.79)
28/4/2009	Sino Prosper Holdings Limited	766	0.00	5	7.14
7/4/2009	Forefront Group Limited	885	0.00	3	0.00

Date of announcement	Company name	Stock code	Coupon rate (%)	Maturity (years)	Premium/ (discount) of conversion price over/to the closing price as at the last trading date (%)
16/3/2009	China Fortune Group Limited	290	0.00	3	36.00
13/2/2009	Bright International Group Limited	1163	0.00	2	(7.41)
4/2/2009	China Energy Development Holdings	228	0.00	30	0.00
2/2/2009	Asia Resources Holdings Limited	899	0.00	5	(21.10)
7/1/2009	China Fortune Holdings Limited	110	0.00	2	337.50
	Maximum		**8.00**	**30**	**337.50**
	Minimum		**0.00**	**1.5**	**(50.00)**
	Mean		**0.98**	**5.58**	**17.32**
	Median		**0.00**	**3.00**	**(3.71)**
	The Company	**766**	**0.00**	**5**	**7.14**

Source: The website of the Stock Exchange

Note:

(1) The convertible notes will be due on 31 December 2015.

(2) The convertible bond will be due on 3 August 2012.

As noted form the above table, the premium on the Conversion Price to the closing price as at the last trading day:

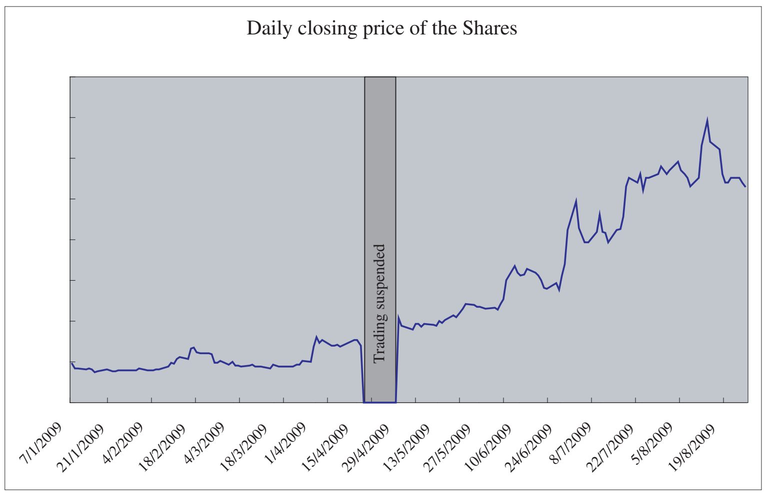
(a) fall within the range of the CB Comparables;

(b) is lower than the mean of the CB Comparable but is higher to the median of the CB Comparables.

In addition, the maturity and interest rate of the CB Comparables is ranged from 2 to 30 years and 0% to 8% per annum and those of the Convertible Bonds fall within the said range.

Lastly, we have also reviewed other major terms of the Convertible Bonds and are not aware of any terms which are unusual. On the above basis, we, therefore, consider the key terms of the Convertible Bonds are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

For reference purpose, we note that the Conversion Price represents a discount of approximately 71.7% to the closing price of HK$0.265 as at the Latest Practicable Date. The graph below shows the share price performance of the Shares from 2 January 2009 (being the first business day of 2009) to the Latest Practicable Date:



Source: The website of the Stock Exchange

Note: Trading of the Shares was suspended with effect from 17 April 2009 to 28 April 2009 pending for the release of the Announcement.

As noted from the above table, the closing prices of the Shares were traded in a range of HK$0.037 to HK$0.07 since 2 January 2009 to 16 April 2009 (being the Last Trading Date). The closing price of the Shares shot up to HK$0.104 after the release of the Announcement on 29 April 2009 and commenced to rise afterwards. Based on the graph above, we have reason to believe that the increase of the closing price of the Shares may be due to the release of the Announcement. Therefore, although the Conversion Price represents a substantial discount to the closing prices of the Shares as at the Latest Practicable Date, we have not considered such discount as a factor in forming our opinion to the fairness and reasonableness of the Conversion Price as the Conversion Price was fixed on the date of the Acquisition Agreement, i.e. 17 April 2009. In light of the Conversion Price represents a discount to the closing price of the Shares as at the Latest Practicable Date, after taking into account of (i) the reasons for the Acquisition as discussed in the previous paragraph; (ii) the Acquisition provides an opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group; (iii) the Consideration of RMB360 million (equivalent to approximately HK$409.1 million) represents at least 34% discount to the valuation of the 65% interests of the Target Mines; and (iv) the increase of the closing price of the Shares may be due to the release of the Announcement, we consider that the Acquisition Agreement is in the interests of the Company and the Independent Shareholders as a whole.

Promissory Note

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer:	the Purchaser (or the Company (if mutually agreed by both parties))
Principal amount:	RMB240 million (equivalent to approximately HK$272.7 million)
Interest:	1.5% per annum, which is payable by the Purchaser on a quarterly basis
Maturity Date:	2 years from the date of issue
Early redemption:	the issuer could, at its option, repay the Promissory Note with the relevant interest in whole or in part by giving a prior seven days' written notice to the Vendor. There will not be any premium or discount to the payment obligations under the Promissory Note for any early repayment

We have compared the interest rate of the Promissory Note to the best lending rate offered by two major banks in Hong Kong and the lending rates of the two principal banks of the Company and noted that the interest rate of the Promissory Note is lower than the Hong Kong prevailing best lending rates, i.e. 5% and the lending rates offered by the principal banks of the Company, i.e. 5.4%. On this basis, we consider the terms of the Promissory Note are fair and reasonable.

According to the Directors, the issue of the Convertible Bonds and the Promissory Note are the most cost efficient and beneficial way to financing the Acquisition as they save the costs of borrowing and eliminate the burden of the Company arising through the usage of cash.

Amongst the other equity financing methods, the issue of the Convertible Bonds directly to the Vendor should be relatively time-saving as other financing methods, such as rights issue, open offer and placing of new shares, may subject to a lengthy negotiation process for the underwriting and due diligence practice. Based on the 2009 Annual Report, the Group had cash and bank balance of approximately HK$230.2 million. As set out in the below paragraph headed "Risks factors", there is a potential business risk of continuous capital investment into the Target Mines before the Target Mines start to generate profit. Actual capital expenditures for the exploitation and exploration work may significantly exceed the Group's working capital or budgets because of various conditions beyond the Group's control, which in turn may affect the Group's financial condition. In order to minimize the potential risk of lack of liquidity of the Enlarged Group, the management of the Company, therefore, considered not to finance the Acquisition by its internal resources and retain such internal resources as the working capital for the operation of the Target Mines.

Despite financing the Acquisition by the Company's internal resources will save the interest expense of the Promissory Note for the Company, given that there is a potential business risk of the continuous capital expenditure for the Target Mines as discussed above and the low-interest nature of the Promissory Notes, we concur with the Directors' view that the issue of the Convertible Bonds and Promissory Note is the most cost efficient and beneficial method to financing the Acquisition and is in the interests of the Company and its Shareholders as a whole.

(3) Potential dilution effect on the shareholding interests of the Shareholders

Upon conversion of the Convertible Bonds, 1,818,181,813 Conversion Shares will be issued. The 1,818,181,813 Share Conversion Shares represent approximately 111.7% of the existing issued share capital of the Company as at the Latest Practicable Date and 52.77% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares, together with the Shares beneficially owned by the Vendor as at Completion will represent approximately 57.51% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Assuming the full conversion of the Convertible Bonds, the shareholding of the existing public Shareholders will be diluted from approximately 89.85% to approximately 42.44%. Please refer to the section headed "Changes in shareholding structure of the Company" in the Letter for detail information in relation to the dilution effect of the conversion of the Convertible Bonds.

Despite the dilution effect by the conversion of the Convertible Bonds, taking into account that the Acquisition can further diversify the Group's resource-related businesses and may improve the financial performance of the Group in future, we consider the possible dilution effect on the Shareholders to be acceptable.

(4) Risk Factors

We would like to remind the Independent Shareholders that there are uncertainties associated with the Acquisition notwithstanding the potential benefits. Independent Shareholders are advised to pay attention on the paragraph headed "Risk Factors" in the Letter.

Exploration permits and exploitation permits

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

In respect of the above, we have obtained the advice from the Group's PRC legal advisers that the predominant mineral of the Target Mines are not regarded as business prohibited by foreign investment as stipulated in the applicable PRC regulation ("外商投資產業指導目錄"), the subscription of the Target PRC by Target HK shall not form any legal obstacles for the renewal of the exploration permits held by the Target PRC and there are no legal obstacles for the Target PRC to obtain the exploitation permits after the required payments. However, as advised by the Company's legal advisers, the successful renewal of the exploration permits and the obtaining of exploitation permits are subject to the applicable PRC rules and regulations at the time of applying the renewal and the administrative decision of the Department of Land and Resources.

Significant and continuous capital investment

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

As stated in the Letter, based on the current financial resources of the Group and the Mining Schedule, assuming the Completion, the Group is able to invest the estimated expense of RMB46.0 million for the exploitation, exploration and production works before the Target Mines start to general profit to the Enlarged Group.

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

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

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

Currently, the Group has no management experience in mining businesses. In order to control and minimize the adverse effect of the above industry risks, the Group will employ suitable candidates in the mining industry to run the mining business for the Group. As at the Latest Practicable Date, certain candidates have been identified by the Group.

Estimated level of the gold resources

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

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

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

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

(5) Financial effect of the Acquisition on the Group

Prior to the Acquisition, the Company does not hold any interest in the Target Group. Upon Completion of the Acquisition, the company will own the entire equity interest in the Target BVI and Target HK and 65% of the registered and paid up capital of the Target PRC, and the financial results of the Target Group will be consolidated into the Group's financial statements.

Earnings

The Group recorded an audited consolidated loss of approximately HK$10.0 million for the year ended 31 March 2009. According to the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular ("Pro Forma Financial Information"), the unaudited consolidated loss of the Enlarged Group for the year ended 31 March 2009 would be approximately HK$16.0 million assuming the completion of the Acquisition on 1 April 2008.

Assets

As at 31 March 2009, the audited total assets of the Group and the audited net assets were approximately HK$315.7 million and HK$274.2 million, respectively. According to the Pro Forma Financial Information, the unaudited pro forma total assets of the Enlarged Group would be increased by approximately HK$633.5 million to approximately HK$949.2 million assuming the completion of the Acquisition on 31 March 2009, where the unaudited pro forma net assets of the Enlarged Group would be increased by approximately HK$234.9 million to approximately HK$509.1 million. Such increase in total assets and net assets is mainly attributable to the exploration and evaluation assets of the Target Mines.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK$41.3 million as at 31 March 2009. According to the Pro Forma Financial Information, the unaudited pro forma total liabilities of the Enlarged Group would be increased by approximately HK$398.7 million to approximately HK$440.1 million. The increase is mainly attributable to the issue of the Convertible Bonds and Promissory Note as part of the Consideration.

We note that the completion of the Acquisition will have a negative impact on the Group's earnings and increase the Group's total liabilities. However, we consider that such negative impact is resulted from the pre-operation nature of the Target Group's mining business. Given that (i) the total assets and the net assets of the Group will substantially increase upon the completion of the Acquisition; and (ii) the financial performance of the Group may be improved if the Target Group's mining business is operated as projected, we consider that the Acquisition is beneficial to the Company and its Shareholders as whole.

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, we are of the opinion that the Acquisition Agreement are on normal commercial terms and to be fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Irrespective of the above, we would remind the Independent Shareholders that there are uncertainties associated with the Acquisition such as the gold resources of the Target Mines may not conform to the estimated level as stated by GGICAS, the renewal of the exploration licences or obtaining the relevant exploitation permits. The Target Mines may or may not perform as projected, which will significantly affect the Group's financial performance as the Group may require significant capital input in the mining operations. The Acquisition will, therefore, result in a significant change in the risk profile of the Group's businesses, which may or may not accord with the risk/return preferences of individual shareholders.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan
Director

Kevin Chan
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated results of the Group for the years ended 31 March 2007, 2008 and 2009 as extracted from the published audited financial statements of the Group:

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	31,335	84,714	20,138
Cost of sales	(30,774)	(84,405)	(19,334)
Gross profit	561	309	804
Other income and gains	6,147	5,292	6,661
General and administrative expenses	(16,275)	(33,376)	(131,300)
Finance costs	(40)	(40)	(40)
Loss before tax	(9,607)	(27,815)	(123,875)
Income tax expense	(355)	–	–
Loss for the year from continuing operations	(9,962)	(27,815)	(123,875)
Discontinued operations			
Result for the year from discontinued operations	–	–	–
Loss for the year	(9,962)	(27,815)	(123,875)
Attributable to:			
Equity holders of the Company	(9,764)	(27,398)	(122,173)
Minority interests	(198)	(417)	(1,702)
	(9,962)	(27,815)	(123,875)
Loss per share			
From continuing and discontinued operations			
Basic and diluted (HK cents per share)	0.74	2.13	9.91
From continuing operations			
Basic and diluted (HK cents per share)	0.74	2.13	9.91

The following is a summary of the audited consolidated assets and liabilities of the Group as at 31 March 2007, 2008 and 2009 as extracted from the published audited financial statements of the Group:

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	733	988	586
Current assets			
Trade and other receivables	81,870	22,703	17,269
Amounts due from minority shareholders	2,815	3,548	3,698
Bank balances and cash	230,232	270,413	258,960
	314,917	296,664	279,927
Current liabilities			
Trade and other payables	40,951	25,389	15,397
Obligation under a hire-purchase contract	124	186	186
Tax liabilities	355	–	–
	41,430	25,575	15,583
Net current assets	273,487	271,089	264,344
Total assets less current liabilities	274,220	272,077	264,930
Non-current liabilities			
Obligation under a hire-purchase contract	–	124	311
Net assets	274,220	271,953	264,619
Capital and reserves			
Share capital	15,674	12,862	12,742
Share premium and reserves	257,461	257,586	250,362
Equity attributable to equity holders of the Company	273,135	270,448	263,104
Minority interests	1,085	1,505	1,515
Total equity	274,220	271,953	264,619

2. FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2009

The following is the audited financial statements of the Group for the year ended 31 March 2009 together with comparative figures and relevant notes as extracted from the annual report of the Company for the year ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
Revenue	*5*	31,335	84,714
Cost of sales		(30,774)	(84,405)
Gross profit		561	309
Other income and gains	*7*	6,147	5,292
General and administrative expenses		(16,275)	(33,376)
Finance costs	*8*	(40)	(40)
Loss before tax		(9,607)	(27,815)
Income tax expense	*9*	(355)	–
Loss for the year	*10*	(9,962)	(27,815)
Attributable to:			
Equity holders of the Company		(9,764)	(27,398)
Minority interests		(198)	(417)
		(9,962)	(27,815)
Loss per share	*14*		
Basic and diluted (HK cents per share)		0.74	2.13

CONSOLIDATED BALANCE SHEET
As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	733	988
Current assets			
Trade and other receivables	18	81,870	22,703
Amounts due from minority shareholders	19	2,815	3,548
Bank balances and cash	20	230,232	270,413
		314,917	296,664
Current liabilities			
Trade and other payables	21	40,951	25,389
Obligation under a hire-purchase contract	22	124	186
Tax liabilities		355	–
		41,430	25,575
Net current assets		273,487	271,089
Total assets less current liabilities		274,220	272,077
Non-current liabilities			
Obligation under a hire-purchase contract	22	–	124
Net assets		274,220	271,953
Capital and reserves			
Share capital	23	15,674	12,862
Share premium and reserves		257,461	257,586
Equity attributable to equity holders of the Company		273,135	270,448
Minority interests		1,085	1,505
Total equity		274,220	271,953

BALANCE SHEET
As at 31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
Non-current assets			
Investments in subsidiaries	*17*	78	78
Current assets			
Other receivables	*18*	–	12
Amounts due from subsidiaries	*17*	139,492	140,818
Bank balances and cash		1,033	19
		140,525	140,849
Current liabilities			
Other payables	*21*	1,233	1,015
Amounts due to subsidiaries	*17*	8,235	6,795
		9,468	7,810
Net current assets		131,057	133,039
Net assets		131,135	133,117
Capital and reserves			
Share capital	*23*	15,674	12,862
Share premium and reserves	*26*	115,461	120,255
Total equity		131,135	133,117

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to equity holders of the Company								Minority interests	Total equity
	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Translation reserve	Accumulated losses	Total reserves		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	12,742	209,815	–	61,115	12,640	2,939	(36,147)	250,362	1,515	264,619
Exchange differences arising on translation of foreign operations	–	–	–	–	–	26,342	–	26,342	407	26,749
Net income and expenses recognized directly in equity	–	–	–	–	–	26,342	–	26,342	407	26,749
Loss for the year	–	–	–	–	–	–	(27,398)	(27,398)	(417)	(27,815)
Total recognized income and expenses for the year	–	–	–	–	–	26,342	(27,398)	(1,056)	(10)	(1,066)
Placing of warrants *(Note 27)*	–	–	2,440	–	–	–	–	2,440	–	2,440
Recognition of equity-settled share based payments *(Note 25)*	–	–	–	500	–	–	–	500	–	500
Issue of ordinary shares upon exercise of share options *(Note 23(i))*	120	5,340	–	–	–	–	–	5,340	–	5,460
Transfer of reserves upon exercise of share options	–	120	–	(120)	–	–	–	–	–	–
At 31 March 2008 and 1 April 2008	12,862	215,275	2,440	61,495	12,640	29,281	(63,545)	257,586	1,505	271,953
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,768	–	1,768	(222)	1,546
Net income and expenses recognized directly in equity	–	–	–	–	–	1,768	–	1,768	(222)	1,546
Loss for the year	–	–	–	–	–	–	(9,764)	(9,764)	(198)	(9,962)
Total recognized income and expenses for the year	–	–	–	–	–	1,768	(9,764)	(7,996)	(420)	(8,416)
Issue of new shares *(Note 23 (ii))*	2,572	5,916	–	–	–	–	–	5,916	–	8,488
Transaction costs attributable to issue of new shares	–	(85)	–	–	–	–	–	(85)	–	(85)
Recognition of equity-settled share based payments *(Note 25)*	–	–	–	1,560	–	–	–	1,560	–	1,560
Issue of ordinary shares upon exercise of share options *(Note 23(iii))*	240	480	–	–	–	–	–	480	–	720
Transfer of reserves upon exercise of share options	–	240	–	(240)	–	–	–	–	–	–
At 31 March 2009	**15,674**	**221,826**	**2,440**	**62,815**	**12,640**	**31,049**	**(73,309)**	**257,461**	**1,085**	**274,220**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before tax		(9,607)	(27,815)
Adjustments for:			
Finance costs		40	40
Loss on disposal of property, plant and equipment		–	106
Interest income		(1,321)	(2,600)
Depreciation		293	332
Equity-settled share-based payments expenses		1,560	500
Operating cash flows before movements in working capital		(9,035)	(29,437)
Trade and other receivables		(59,167)	(5,434)
Amounts due from minority shareholders		733	150
Trade and other payables		15,562	9,992
Cash used in operations		(51,907)	(24,729)
Interest received		1,321	2,600
Net cash used in operating activities		(50,586)	(22,129)
Investing activities			
Purchase of property, plant and equipment		(29)	(895)
Proceeds from disposal of property, plant and equipment		–	55
Net cash used in investing activities		(29)	(840)
Financing activities			
Proceeds from issue of ordinary shares	*23*	9,123	5,460
Proceeds from placing of warrants	*27*	–	2,440
Capital repayment of hire purchase obligations		(186)	(187)
Interest paid		(40)	(40)
Net cash generated by financing activities		8,897	7,673
Net decrease in cash and cash equivalents		(41,718)	(15,296)
Cash and cash equivalents at the beginning of the financial year		270,413	258,960
Effect of foreign exchange rate changes		1,537	26,749
Cash and cash equivalents at the end of the financial year		230,232	270,413
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		230,232	270,413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. GENERAL

Sino Prosper Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The principal activities of the Company and its subsidiaries (the "Group") are investment holding, investment in energy and natural resources related projects and investment in production of raw materials for power generation and construction of highways in the People's Republic of China (the "PRC") and other countries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

		Notes
HKFRSs (Amendments)	Improvements to HKFRSs	*1*
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*2*
HKAS 1 (Revised)	Presentation of Financial Statements	*3*
HKAS 23 (Revised)	Borrowing Costs	*3*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*4*
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	*3*

HKAS 39 (Amendment)	Eligible Hedged Items	*4*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	*3*
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	*3*
HKFRS 3 (Revised)	Business Combinations	*4*
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments	*3*
HKFRS 8	Operating Segments	*3*
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives	*5*
HK(IFRIC)-Int 13	Customer Loyalty Programmes	*6*
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	*3*
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	*7*
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	*4*
HK(IFRIC)-Int 18	Transfers of Assets from Customers	*8*

Notes:

1. Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2. Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3. Effective for annual periods beginning on or after 1 January 2009
4. Effective for annual periods beginning on or after 1 July 2009
5. Effective for annual periods ending on or after 30 June 2009
6. Effective for annual periods beginning on or after 1 July 2008
7. Effective for annual periods beginning on or after 1 October 2008
8. Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiaries

A subsidiary is an entity that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and titled has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	:	20%
Motor vehicles	:	20 – 30%
Furniture, fixtures and equipment	:	20 – 33 $^1/_3$%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. To the extent that fixed-rated bank borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflected the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designed as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from minority shareholders and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial asset, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including obligation under a hire-purchase contract, and trade payables and other payables) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Revenue from sales of copper concentrate powder	–	82,813
Revenue from sales of fuel oil and chemicals	21,817	1,901
Revenue from sales of steel products	9,518	–
	31,335	84,714

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Business segments

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

For the years ended 31 March 2008 and 2009, all the Group's revenue is derived from the Group's operations in the investment in energy and natural resources related projects and investment in production of raw materials for power generation and construction of highways in the PRC and other countries. Accordingly, no further segment information is presented.

Geographical segments

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

For the years ended 31 March 2008 and 2009, all the Group's revenue is derived from customers based in the PRC. Accordingly, no further analysis of the Group's segment revenue by geographical area is presented. An analysis of the Group's assets and capital expenditure by geographical segments is as follows:

	Hong Kong		**PRC**		**Other Asia Pacific countries**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts of segment assets	1,524	4,887	311,250	288,940	2,876	3,825	315,650	297,652
Additions to property, plant and equipment	7	–	22	885	–	10	29	895

7. OTHER INCOME AND GAINS

	2009	**2008**
	HK$'000	*HK$'000*
Interest income on bank deposits	1,321	2,600
Net foreign exchange gains	3,476	2,406
Sundry income	1,350	286
	6,147	5,292

8. FINANCE COSTS

	2009	**2008**
	HK$'000	*HK$'000*
Interest on hire-purchase obligation	40	40

No interest was capitalized during the year ended 31 March 2009 (2008: Nil).

9. INCOME TAX EXPENSE

	2009	**2008**
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	355	–

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits derived from or arising in Hong Kong for the years ended 31 March 2008 and 2009.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2008: 33%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate of the PRC subsidiaries to 25% from 1 January 2008 onwards.

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Loss before tax	(9,607)	(27,815)
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	(1,585)	(4,868)
Tax effects of expenses not deductible for tax purpose	608	637
Tax effects of income not taxable for tax purpose	(614)	(255)
Tax effect of deductible temporary differences not recognized	3	6
Tax effect of estimated tax losses not recognized	1,828	4,565
Utilization of tax losses not previously recognized	(6)	(85)
Effect of different tax rates of group entities operating in other jurisdictions	121	–
Tax charge for the year	355	–

No deferred tax assets and liabilities are recognized in the consolidated financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 March 2008 and 2009.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2009	2008
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments)		
– Salaries and other benefits	6,451	7,237
– Contributions to retirement benefits schemes	112	71
	6,563	7,308
Depreciation for property, plant and equipment		
– Owned assets	293	234
– Leased assets	–	98
	293	332
Operating lease rentals in respect of land and buildings	1,621	1,750
Auditors' remuneration	520	600
Expense in relation to share options granted to consultants	1,560	500

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2008: eight) directors were as follows:

For the year ended 31 March 2009

	Fees	Salaries and other benefits	Share-based payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Leung Ngai Man	–	2,400	–	12	2,412
Mr. Yeung Kit	–	480	–	12	492
Mr. Wong Wa Tak	–	480	–	12	492
Independent non-executive directors					
Mr. Chan Sing Fai	120	–	–	–	120
Mr. Cai Wei Lun	–	–	–	–	–
Dr. Leung Wai Cheung	120	–	–	–	120
Total emoluments	240	3,360	–	36	3,636

For the year ended 31 March 2008

	Fees	Salaries and other benefits	Share-based payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Leung Ngai Man	–	2,400	–	12	2,412
Mr. Yeung Kit	–	480	–	12	492
Mr. Wong Wa Tak	–	480	–	12	492
Mr. Tang Yan Tian (resigned on 22 February 2008)	–	440	–	11	451
Non-executive director					
Mr. Gao Shi Kui (resigned on 15 November 2007)	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Sing Fai	120	–	–	–	120
Mr. Cai Wei Lun	–	–	–	–	–
Dr. Leung Wai Cheung	120	–	–	–	120
Total emoluments	240	3,800	–	47	4,087

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the year ended 31 March 2009 (2008: Nil). There were no discretionary bonuses paid to the directors or the highest paid, non-director employees of the Group for the year ended 31 March 2009 (2008: Nil).

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	780	960
Contributions to retirement benefits schemes	–	–
	780	960

Their emoluments fell within the following bands:

	Number of employees 2009	2008
Nil – HK$1,000,000	2	2

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

During the year ended 31 March 2009, the total amount contributed by the Group to the schemes and charged to the consolidated income statement amounted to approximately HK$112,000 (2008: HK$71,000). At 31 March 2009, there were no forfeited contributions available for the Group to offset contributions payable in future years (2008: Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2009	**2008**
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to equity holders of the Company)	9,764	27,398

Number of shares

	2009	**2008**
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,314,971,514	1,283,796,035

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme and outstanding warrants since their exercise would have an anti-dilutive effect.

15. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2009 includes a loss of approximately HK$12,665,000 (2008: HK$18,152,000) which has been dealt with in the financial statements of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2007	207	980	600	1,787
Exchange adjustments	–	–	(5)	(5)
Additions	–	696	199	895
Disposals	–	–	(300)	(300)
At 31 March 2008	207	1,676	494	2,377
Exchange adjustments	–	15	(14)	1
Additions	–	–	29	29
At 31 March 2009	207	1,691	509	2,407
Depreciation and impairment				
At 1 April 2007	93	882	226	1,201
Exchange adjustments	–	3	2	5
Provided for the year	41	150	141	332
Eliminated on disposals	–	–	(149)	(149)
At 31 March 2008	134	1,035	220	1,389
Exchange adjustments	–	1	(9)	(8)
Provided for the year	42	128	123	293
At 31 March 2009	176	1,164	334	1,674
Carrying amounts				
At 31 March 2009	31	527	175	733
At 31 March 2008	73	641	274	988

The carrying amount of the motor vehicle held under a hire-purchase contract amounted to nil at 31 March 2008 and 2009.

17. INVESTMENTS IN SUBSIDIARIES

	2009	2008
	HK$'000	*HK$'000*
The Company		
Unlisted shares, at cost	78	78

The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed dates of repayment.

Particulars of the Company's subsidiaries at 31 March 2009 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sino Prosper Group Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
Joint Profit Group Limited	Hong Kong	HK$2	–	100%	Provision of administrative services
Konrich (Asia) Limited	Hong Kong	HK$2	–	100%	Investment holding
P.T. Sino Prosper Indocarbon *(Note(i))*	Indonesia	US$1,250,000	–	65%	Mineral resources exploration
Sino Prosper Asphalt Investment Limited	Hong Kong	HK$1	–	100%	Investment holding and trading of asphaltic rocks
Sino Prosper Coal Mining Investment Limited	British Virgin Islands	US$1	–	100%	Investment holding
Sino Prosper (States Gold) Investment Limited	Hong Kong	HK$10	–	60%	Investment holding
Sino Prosper Gas Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Medical Technology Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper LNG Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Resources Limited	Hong Kong/ PRC	HK$1	–	100%	Investment holding and trading of asphaltic rocks
Sino Prosper Management Limited	Hong Kong	HK$1	–	100%	Provision of administrative services
Sino Prosper Minerals Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Ethanol Development Limited	Hong Kong	HK$1	–	100%	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sino Prosper Re-Energy Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Renewable Resources Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
Dalian Haixin Investment Consultant Co., Ltd. *(Note (ii))*	PRC	US$11,930,000	–	100%	Provision of consultancy services
海南泰瑞礦產開發有限公司 *(Note (iii))*	PRC	RMB2,000,000	–	95%	Trading of copper concentrate powder and steel products
中油中盈石油燃氣銷售有限公司 *(Note (iv))*	PRC	RMB12,169,630	–	95%	Trading of fuel oil and chemicals

Notes:

(i) P.T. Sino Prosper Indocarbon is a limited liability joint venture company incorporated in Indonesia which was established by the Group and its joint venture partners pursuant to a joint venture agreement dated 25 April 2005 for the purpose of extraction of bitumen in the bitumen mine in Buton Island, Indonesia.

(ii) Dalian Haixin Investment Consultant Co., Ltd. is a wholly foreign owned enterprise established in the PRC.

(iii) 海南泰瑞礦產開發有限公司 is a limited liability company established in the PRC.

(iv) 中油中盈石油燃氣銷售有限公司 is a sino-foreign equity joint venture company established in the PRC (Note 30).

(v) None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	16,962	4,064	–	–
Prepayments, deposits and other receivables	64,908	18,639	–	12
Total trade and other receivables	81,870	22,703	–	12

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
0 – 90 days	16,895	–
91 – 120 days	67	–
Over 1 year	–	4,064
	16,962	4,064

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately HK$1,743,000 (2008: HK$4,064,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables which are past due but not impaired are as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
0 – 90 days	1,743	–
91 – 120 days	–	–
Over 1 year	–	4,064
	1,743	4,064

Included in the balance of prepayments, deposits and other receivables of the Group as at 31 March 2009 was an initial deposit of RMB50,000,000 (equivalent to approximately HK$56,776,000) paid by the Group upon entering into an acquisition agreement on 10 June 2008 (which was amended and supplemented by a supplemental agreement dated 27 August 2008 and made by the same parties) (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, Sino Prosper Minerals Investment Limited ("SPML", a wholly owned subsidiary of the Company) had agreed to acquire and Mr. Leung Ngai Man (the "Vendor", being a director and substantial shareholder of the Company), had agreed to dispose of the entire issued capital of Agortex Development Limited (a company wholly and beneficially owned by the Vendor), at a total consideration of RMB230,000,000. On the date of the Acquisition Agreement, an aggregate amount of RMB50,000,000 (equivalent to approximately HK$56,776,000) was paid by the SPML to the Vendor as a deposit. Subsequent to the balance sheet date, the Vendor and SPML entered into a termination deed, whereby SPML and the Vendor have mutually agreed to terminate the Acquisition Agreement with effect from 11 May 2009 in accordance with its terms.

19. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

The balances at 31 March 2009 comprise amounts due from the minority shareholders of P.T. Sino Prosper Indocarbon, a 65% owned subsidiary of the Company, of approximately HK$2,815,000 (2008: HK$3,548,000). The amounts due are unsecured, interest-free and repayable on demand.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 March 2009, the Group had bank balances of approximately HK$229,033,000 (2008: HK$269,960,000) which were denominated in Renminbi and placed with banks situated in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

21. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	15,312	228	–	–
Other payables and accruals	25,639	25,161	1,233	1,015
	40,951	25,389	1,233	1,015

The following is an aging analysis of trade payables at the balance sheet date:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
0 – 90 days	15,148	–
91 – 120 days	164	–
Over 1 year	–	228
	15,312	228

The trade payables and other payables are non-interest-bearing.

22. OBLIGATION UNDER A HIRE-PURCHASE CONTRACT

The Group leases a motor vehicle under a hire-purchase contract. This lease is classified as finance lease and has remaining lease term of one year.

At 31 March 2009, the Group had total future minimum lease payments under a hire-purchase contract and its present value as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	150	226
After 1 year but within 2 years	–	150
Total minimum lease payments	150	376
Less: Future finance charges	(26)	(66)
Present value of minimum lease payments	124	310

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Present value of minimum lease payments repayable:		
Within one year	124	186
After 1 year but within 2 years	–	124
	124	310

23. SHARE CAPITAL

	Number of shares	**Amount**
Ordinary shares of HK$0.01 each:		*HK$'000*
Authorized:		
Ordinary shares of HK$0.01 each		
At 31 March 2008 and 2009	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2007	1,274,163,158	12,742
Exercise of share options *(Note (i))*	12,000,000	120
At 31 March 2008 and 1 April 2008	1,286,163,158	12,862
Issue of new shares *(Note (ii))*	257,230,000	2,572
Exercise of share options *(Note (iii))*	24,000,000	240
At 31 March 2009	1,567,393,158	15,674

Notes:

(i) During the year ended 31 March 2008, 12,000,000 ordinary shares were issued upon the exercise of a total of 12,000,000 share options at an exercise price of HK$0.455, giving rise to aggregate net proceed of HK$5,460,000.

(ii) On 19 September 2008, the Company announced that it had entered into the placing agreement dated 21 May 2008 (the "Placing Agreement"), which was supplemented by a few supplemental agreements, with a placing agent in relation to a placing of 257,230,000 shares at a price of HK$0.125 per share.

On 15 October 2008, the Company announced that the Placing Agreement lapsed on 15 October 2008 and the Company entered into a new placing agreement (the "New Placing Agreement") on the same day in relation to a placing of 257,230,000 shares at a price of HK$0.033 per share.

The completion of the New Placing Agreement took place on 25 February 2009 in accordance with the terms and conditions of the New Placing Agreement and an aggregate of 257,230,000 new shares have been successfully placed to not less than six placees at HK$0.033 per new share.

(iii) During the year ended 31 March 2009, 24,000,000 ordinary shares were issued upon the exercise of a total of 24,000,000 share options at an exercise price of HK$0.030, giving rise to aggregate net proceed of HK$720,000.

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties including consultants as incentives for their contributions to the development of the Group.

The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, and shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Movements in the share options during the years ended 31 March 2008 and 2009 are as follows:

For the year ended 31 March 2009

Name or category of participant	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding and exercisable at 1 April 2008	Granted during the year	Exercised during the year	Outstanding and exercisable at 31 March 2009	Price of the Company's shares: At grant date of options HK$ per share	At exercise date of options HK$ per share
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK$0.410	8,000,000	–	–	8,000,000	0.390	–
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	–	–	1,400,000	0.470	–
	12 January 2005	12 January 2005 to 11 January 2015	HK$0.410	5,000,000	–	–	5,000,000	0.290	–
Master Hill Development Limited *(Note (i))*	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	3,000,000	–	–	3,000,000	0.450	–
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	800,000	–	–	800,000	0.470	–
Mr. Cai Wei Lun	8 May 2006	8 May 2006 to 7 May 2016	HK$1.460	3,400,000	–	–	3,400,000	1.460	–
Directors				21,600,000	–	–	21,600,000		
Employees	8 May 2006	8 May 2006 to 7 May 2016	HK$1.460	23,000,000	–	–	23,000,000	1.460	–
	1 September 2006	1 September 2006 to 31 August 2016	HK$0.710	26,000,000	–	–	26,000,000	0.710	–
Consultants	23 March 2005	23 March 2005 to 22 March 2015	HK$0.340	4,000,000	–	–	4,000,000	0.340	–
	1 September 2006	1 September 2006 to 31 August 2016	HK$0.710	10,000,000	–	–	10,000,000	0.710	–
	4 September 2006	4 September 2006 to 3 September 2016	HK$0.710	6,000,000	–	–	6,000,000	0.710	–
	1 June 2007	1 June 2007 to 31 May 2017	HK$0.455	14,000,000	–	–	14,000,000	0.455	–
	17 March 2008	17 March 2008 to 16 March 2018	HK$0.150	24,000,000	–	–	24,000,000	0.130	–
	5 May 2008	5 May 2008 to 4 May 2018	HK$0.120	–	24,000,000	–	24,000,000	0.117	–
	6 May 2008	6 May 2008 to 5 May 2018	HK$0.125	–	24,000,000	–	24,000,000	0.119	–
	14 May 2008	14 May 2008 to 13 May 2018	HK$0.136	–	24,000,000	–	24,000,000	0.138	–
	15 May 2008	15 May 2008 to 14 May 2018	HK$0.137	–	24,000,000	–	24,000,000	0.136	–
	31 October 2008	31 October 2008 to 30 October 2018	HK$0.030	–	12,000,000	(12,000,000)	–	0.027	0.041
	31 October 2008	31 October 2008 to 30 October 2018	HK$0.030	–	12,000,000	(12,000,000)	–	0.027	0.048
	30 March 2009	30 March 2009 to 29 March 2019	HK$0.050	–	36,000,000	–	36,000,000	0.051	–
Total				128,600,000	156,000,000	(24,000,000)	260,600,000		
The weighted average exercise price per share				HK$0.680	HK$0.096	HK$0.030	HK$0.390		

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.045 (2008: HK$0.530).

For the year ended 31 March 2008

				Number of share options				Price of the Company's shares	
Name or category of participant	Date of grant	Exercisable period	Exercise price	Outstanding and exercisable at 1 April 2007	Granted during the year	Exercised during the year	Outstanding and exercisable at 31 March 2008	At grant date of options HK$ per share	At exercise date of options HK$ per share
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK$0.410	8,000,000	–	–	8,000,000	0.390	–
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	–	–	1,400,000	0.470	–
	12 January 2005	12 January 2005 to 11 January 2015	HK$0.410	5,000,000	–	–	5,000,000	0.290	–
Master Hill Development Limited *(Note (i))*	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	3,000,000	–	–	3,000,000	0.450	–
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	800,000	–	–	800,000	0.470	–
Mr. Cai Wei Lun	8 May 2006	8 May 2006 to 7 May 2016	HK$1.460	3,400,000	–	–	3,400,000	1.460	–
Directors				21,600,000	–	–	21,600,000		
Employees	8 May 2006	8 May 2006 to 7 May 2016	HK$1.460	23,000,000	–	–	23,000,000	1.460	–
	1 September 2006	1 September 2006 to 31 August 2016	HK$0.710	26,000,000	–	–	26,000,000	0.710	–
Consultants	23 March 2005	23 March 2005 to 22 March 2015	HK$0.340	4,000,000	–	–	4,000,000	0.340	–
	1 September 2006	1 September 2006 to 31 August 2016	HK$0.710	10,000,000	–	–	10,000,000	0.710	–
	4 September 2006	4 September 2006 to 3 September 2016	HK$0.710	6,000,000	–	–	6,000,000	0.710	–
	1 June 2007	1 June 2007 to 31 May 2017	HK$0.455	–	26,000,000	(12,000,000)	14,000,000	0.455	0.530
	17 March 2008	17 March 2008 to 16 March 2018	HK$0.150	–	24,000,000	–	24,000,000	0.130	–
Total				90,600,000	50,000,000	(12,000,000)	128,600,000		
The weighted average exercise price per share				HK$0.855	HK$0.309	HK$0.455	HK$0.680		

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.530 (2007: HK$0.776).

Notes:

(i) Mr. Wong Wa Tak, who was appointed as an executive director of the Company on 14 January 2005, has beneficial interest in Master Hill Development Limited.

(ii) The total consideration received during the year from grant of share options amounted to HK$13 (2008: HK$5).

(iii) None of the share options were forfeited and expired during the years ended 31 March 2008 and 2009.

(iv) The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed as of the exercise date of the share options is the weighted average of the Stock Exchange closing prices as of the dates on which the options were exercised over all of the exercises of options within the disclosure line.

(v) At 31 March 2009, the exercise in full of the outstanding vested share options would, with the present capital structure of the Company, result in the issue of additional 260,600,000 ordinary shares (2008: 128,600,000 ordinary shares).

(vi) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

25. SHARE BASED PAYMENT TRANSACTIONS

	2009	**2008**
	HK$'000	*HK$'000*
Expenses in relation to share options granted to consultants	1,560	500

The fair values of share options granted to directors, employees and consultants determined at the dates of grant are expensed over the vesting periods, with a corresponding adjustment to the Group's share options reserve.

The Company measures the fair values of share options granted to consultants by reference to the fair values of services received. The total fair values of the share options granted to consultants for the year ended 31 March 2009 amounted to approximately HK$1,560,000 (2008: HK$500,000).

The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted to directors and employees. The Model is one of the commonly used models to estimate the fair value of a share option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

The Company has not granted any share options to directors and employees during the years ended 31 March 2008 and 2009.

26. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Share premium *HK$'000*	Warrants reserve *HK$'000*	Share options reserve *HK$'000*	Shareholder's contribution *HK$'000*	Accumulated losses *HK$'000*	Total reserves *HK$'000*
At 1 April 2007	209,815	–	61,115	12,640	(153,443)	130,127
Placing of warrants *(Note 27)*	–	2,440	–	–	–	2,440
Recognition of equity-settled share based payments *(Note 25)*	–	–	500	–	–	500
Issue of shares upon exercise of share options *(Note 23(i))*	5,340	–	–	–	–	5,340
Transfer of reserves upon exercise of share options	120	–	(120)	–	–	–
Loss for the year	–	–	–	–	(18,152)	(18,152)
At 31 March 2008 and 1 April 2008	215,275	2,440	61,495	12,640	(171,595)	120,255
Issue of new shares *(Note 23(ii))*	5,916	–	–	–	–	5,916
Transaction costs attributable to issue of new shares	(85)	–	–	–	–	(85)
Recognition of equity-settled share based payments *(Note 25)*	–	–	1,560	–	–	1,560
Issue of shares upon exercise of share options *(Note 23(iii))*	480	–	–	–	–	480
Transfer of reserves upon exercise of share options	240	–	(240)	–	–	–
Loss for the year	–	–	–	–	(12,665)	(12,665)
At 31 March 2009	221,826	2,440	62,815	12,640	(184,260)	115,461

27. WARRANTS

On 21 May 2007, the Company announced that it had entered into a conditional warrant subscription agreement dated 16 May 2007 with an independent investor in relation to a private placing of 244,000,000 non-listed warrants at an issue price of HK$0.01 per warrant. The warrants entitled the holder thereof to subscribe for new shares of the Company at an initial exercise price of HK$0.64 per new share (subject to adjustment) at any time during a period of three years commencing from the date of issue of the warrants. Each warrant carried the right to subscribe for one new share.

The warrants were issued on 1 June 2007 upon completion of the warrant subscription agreement, and the Company received proceeds of HK$2,440,000 in respect of the placing of the warrants. The net proceeds from the placing of the warrants were used for general working capital of the Group.

At the balance sheet date, the Company had 244,000,000 (2008: 244,000,000) warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 244,000,000 (2008: 244,000,000) additional shares of HK$0.01 each.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes current and non-current portions of obligation under a hire-purchase contract), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

Net debt-to-equity ratio

The Group's management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The net debt-to-equity ratio at the year-end was as follow:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Debts (i)	124	310
Cash and cash equivalents	(230,232)	(270,413)
Net debt	–	–
Equity (ii)	274,220	271,953
Net debt-to-equity ratio	Nil	Nil

(i) Debt comprises current and non-current portions of obligation under a hire-purchase contact as detailed in Note 22.

(ii) Equity includes all capital and reserves of the Group.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
– Trade and other receivables	81,623	22,703
– Amounts due from minority shareholders	2,815	3,548
– Bank balances and cash	230,232	270,413

	2009	**2008**
	HK$'000	*HK$'000*
Financial liabilities		
Financial liabilities at amortized cost		
– Trade and other payables	19,399	25,389
– Obligation under a hire-purchase contract	124	310

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from minority shareholders, bank balances and cash, trade and other payables and obligation under a hire-purchase contract. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk

During the year ended 31 March 2009, the Group mainly operated in the PRC and the majority of the Group's transactions and balances as at and for the year ended 31 March 2009 were denominated in RMB. All the sales and purchases for the year ended 31 March 2009 were denominated in RMB, which is the functional currency of the operating units making the sales and purchases. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is not exposed to significant fair value interest rate risk and cash flow interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Price risk

As the Group has no significant investments in financial assets at FVTPL or available-for-sale financial assets, the Group is not exposed to significant price risk.

Credit risk

As at 31 March 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limited, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers for whom there is no recent history of default.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the Group's financial liabilities at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	On demand or less than 1 year	**1-2 years**	**Total contractual undiscounted cash flows**	**Total carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2009				
Trade and other payables	19,399	–	19,399	19,399
Obligation under a hire-purchase contract	150	–	150	124
	19,549	–	19,549	19,523
At 31 March 2008				
Trade and other payables	25,389	–	25,389	25,389
Obligation under a hire-purchase contract	226	150	376	310
	25,615	150	25,765	25,699

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

30. CAPITAL COMMITMENTS

At 31 March 2009, the Group had the following commitments which were not provided for in the financial statements:

	2009	**2008**
	HK$'000	*HK$'000*
Authorised and contracted for investment in a joint venture company	40,544	44,587

Note: Pursuant to a joint venture agreement dated 4 February 2005 entered into between Sino Prosper Gas Limited ("SPGL" – a wholly owned subsidiary of the Company) and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the PRC for a term of 30 years commencing from the date of issue of the business license of the joint venture company, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas.

On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company is RMB50 million which is to be contributed by SPGL as to RMB47.5 (2008: RMB47.5 million) and by the New Joint Venture Partner as to RMB2.5 million. Approximately RMB11.8 million, equivalent to HK$12.8 million (2008: approximately RMB7.4 million, equivalent to HK$7.8 million) has been contributed by SPGL during the year ended 31 March 2009.

The joint venture company, namely 中油中盈石油燃氣銷售有限公司, was treated as a subsidiary of the Group as at 31 March 2009.

At the balance sheet dates, the Company had no significant capital commitments.

31. OPERATING LEASE COMMITMENTS

At 31 March 2009, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	931	1,297
In the second to fifth years inclusive	185	625
	1,116	1,922

Operating leases relate to office premises with lease terms of between 1 to 2 years. The Group does not have an option to purchase the leased asset at the expiry of lease period.

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions for the year ended 31 March 2009:

Compensation to key management personnel

	2009	2008
	HK$'000	*HK$'000*
Short-term employee benefits	3,600	4,040
Post-employment benefits	36	47
Share-based payments	–	–
	3,636	4,087

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

3. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

(as extracted from the respective annual reports of the Company)

(I) For the year ended 31 March 2007

BUSINESS REVIEW

For the year ended 31 March 2007, the Group recorded a turnover of (i) approximately HK$4,064,000 from the sale of asphaltic rocks (year ended 31 March 2006: approximately HK$1,867,000) and (ii) approximately HK$16,074,000 from the sale of copper concentrate powder (year ended 31 March 2006: Nil). This represents an increase in turnover of approximately 979% as compared to last year. For the year ended 31 March 2007, the Group's net loss attributable to shareholders was approximately HK$122,173,000 (year ended 31 March 2006: approximately HK$29,913,000).

The Group has been transforming to focus its development on energy and resources businesses, which are still at initial and developing stage. The following sets out briefly the progress of these projects, which the Group has been working on.

1. CNPC Sino Prosper Petroleum and Gas Company Ltd ("CNPC")

On 15 March 2005, Sino Prosper Gas Limited ("SPGL"), a wholly-owned subsidiary of the Company, and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited ("Hengsheng Shimao") agreed to set up a sino-foreign equity joint venture company in the PRC, namely, CNPC.

On 25 February 2007, the Ministry of Commerce of the PRC has issued a letter which approved the establishment of CNPC and the Guangdong Provincial Administration for Industry & Commerce has on 30 April 2007 issued CNPC with its business licence. The total investment amount of CNPC is RMB125 million, and the registered capital is RMB50 million which will be contributed as to RMB47.5 million in cash by SPGL from internal resources of the Group and as to RMB2.5 million in cash by Hengsheng Shimao. CNPC will be principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services.

The Group has already started certain preparatory works for CNPC's business which is expected to commence business in the third quarter of 2007. The Group has also taken steps to seek suppliers and customers for the fuel oil business. The Group expects that the business of CNPC will become one of the principal income streams of the Group commencing in 2008.

2. Acquisition of Mineral Trading Company, Hainan Tairui Mining Development Company Limited ("Hainan Tairui")

In February 2007, the Group completed the acquisition of 95% equity interest in Hainan Tairui, from an independent third party for a consideration of approximately RMB1.9 million. Hainan Tairui has the requisite licence for, among others, processing of minerals and sales of ferrous and non-ferrous products in the PRC.

Subsequent to its acquisition of Hainan Tairui, the Group has set up Hainan Tairui Mining Development Company Limited, Yunnan branch (the "Yunnan Branch") in Kunming, Yunnan Province. Yunnan Branch has obtained its business licence on 14 March 2007. Its approved business scope includes sales of ferrous and non-ferrous products. Currently, the Yunnan Branch is principally engaged in the trading of copper concentrate powder, and a number of sale transactions have been completed.

3. Indonesia-Bitumen Joint Venture Extraction Project

The Group has been actively engaged in the mineral resources exploration project in Indonesia through a 65%-owned joint venture, namely P.T. Sino Prosper Indocarbon ("Indocarbon"). Indocarbon owned the right to carry out general exploration on mineral resources of a total of 22,076 hectares of land in the area of Buton Bitumen Mine, and the right has been extended for another year pursuant to the laws and regulations of Indonesia. Among the total of 22,076 hectares of land, the detailed exploration work over 1,150 hectares of land has begun.

In addition, Indocarbon has successfully developed a new extraction technology in collaboration with the China Petroleum and Chemical Designing Institute and China University of Petroleum. The new extraction technology achieved a speed enhancement of 50% as compared with the previous means of extraction. This helps to reduce the time required for the extraction of oil reserves, the energy used and the overall cost.

FINANCIAL REVIEW

Net assets

As at 31 March 2007, the Group recorded total assets of approximately HK$280,513,000 (as at 31 March 2006: approximately HK$203,751,000), which were financed by liabilities of approximately HK$15,894,000 (as at 31 March 2006: approximately HK$13,078,000). The Group's net asset value as at 31 March 2007 increased by 39% to approximately HK$264,619,000 as compared to approximately HK$190,673,000 as at 31 March 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. For the year ended 31 March 2007,

(i) 74,900,000 shares were issued upon the exercise of share options at exercise prices ranging from HK$0.34 to HK$0.71 per share, giving rise to aggregate net proceeds of approximately HK$50,091,000; and

(ii) 49,763,158 shares were issued by way of placing of new shares pursuant to a subscription agreement dated 24 January 2006 entered into between the Company and Beijing China Metallurgy Investment Limited at the subscription price of HK$0.80 per share, giving rise to aggregate net proceeds of approximately HK$39,790,000.

As at 31 March 2007, the Group had cash and bank balances of approximately HK$258,960,000 (as at 31 March 2006: approximately HK$135,064,000). Its gearing ratio calculated as a ratio of interest bearing net debt to shareholders' funds was nil (as at 31 March 2006: Nil). Net current assets totalled approximately HK$264,344,000 (as at 31 March 2006: approximately HK$190,184,000) and the current ratio was maintained at a level of approximately 17.96 (as at 31 March 2006: approximately 16.12).

TREASURY POLICIES

The Group does not engage in any interest rates, currency speculation and operate deposit banking accounts with principal bankers in Hong Kong, the PRC and Indonesia. The interest rates of these are fixed by reference to the respective countries interbank offer rate. The Group maintains sufficient funding resources to execute its exploration and development business plans and generally takes a prudent and cautious approach to cash application and investment for its capital commitments, particularly in respect of the Group's business in natural resources in the mining, energy and infrastructure where may require heavy investments required.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group had no contingent liabilities (as at 31 March 2006: Nil).

CAPITAL COMMITMENTS

As at 31 March 2007, the Group had the following commitments which were not provided for in the financial statements:

	2007	**2006**
	HK$'000	*HK$'000*
Authorised and contracted for:		
Acquisition of the land use right in the PRC *(Note (i))*	1,300	–
Investment in a joint venture company *(Note (ii))*	47,500	44,811

Notes:

(i) On 25 February 2007, the Group entered into the agreement for the acquisition of land use right in the PRC.

(ii) It refers to the Group's investment in CNPC, brief details of which have been set out in the paragraph headed "CNPC Sino Prosper Petroleum and Gas Company Ltd. ("CNPC") under the subparagraph headed "Business Review" above.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenues and incurs costs in Renminbi, United States dollar, Indonesian Rupiah and Hong Kong dollar. The Group's foreign exchange exposure is therefore minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollar to the United States dollar remains in effect. For the Group's investment in a subsidiary in Indonesia, purchases and sales are denominated in United States dollar, foreign exchange translation exposure is therefore minimal.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2007, the Group employed 51 full-time employees in the PRC, Hong Kong and Indonesia. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

(II) For the year ended 31 March 2008

BUSINESS REVIEW

For the year ended 31 March 2008, the Group recorded total turnover of approximately HK$84,714,000 which comprises of a turnover of (i) approximately HK$1,901,000 from the sale of fuel oil (year ended 31 March 2007: Nil) and (ii) approximately HK$82,813,000 from the sale of copper concentrate powder (year ended 31 March 2007: approximately HK$16,074,000). For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$4,064,000 from the sale of asphaltic rocks. Total turnover of the Group increased by approximately 321% as compared to last year. For the year ended 31 March 2008, the Group's net loss attributable to shareholders was approximately HK$27,398,000 (year ended 31 March 2007: approximately HK$122,173,000).

The Group has been transforming to focus its development on energy and resources businesses, which are still at the developing stage. The following sets out briefly the progress of these projects.

1. CNPC

CNPC, a 95%-owned subsidiary of the Group, has been established with the approval of the Ministry of Commerce of the PRC and has obtained a business licence granted by the Guangdong Administration for Industry and Commerce in 2007. CNPC is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The business of wholesale of fuel oil has already been carried out during the year.

2. Indonesia-Bitumen Joint Venture Extraction Project

Indocarbon, a 65%-owned joint venture of the Group, has been actively engaged in mineral resources exploration project in Indonesia. Indocarbon owns the right to carry out general exploration in bitumen mines covering a total of 22,076 hectares of land in Buton, Indonesia, and has been granted four licences by the Government of the Buton Administrative Region to conduct regional detailed exploration work within the exploratory area. These licences are valid for three years and can be extended for another two years upon expiry.

3. Hainan Tairui

Hainan Tairui, a 95%-owned subsidiary of the Company, has the requisite licence for processing of minerals and for the mining, smelting as well as the sales of ferrous and non-ferrous products in the PRC. In 2007, Hainan Tairui set up a branch in Yunnan, the PRC which was granted a licence to engage the sale of ferrous and non-ferrous products.

The Yunnan Branch has been engaged in the trading of copper concentrate powder since its establishment.

FINANCIAL REVIEW

Net assets

As at 31 March 2008, the Group recorded total assets of approximately HK$297,652,000 (as at 31 March 2007: approximately HK$280,513,000), and recorded liabilities of approximately HK$25,699,000 (as at 31 March 2007: approximately HK$15,894,000). The Group's net asset value as at 31 March 2008 increased by 2.77% to approximately HK$271,953,000 as compared to approximately HK$264,619,000 as at 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. For the year ended 31 March 2008,

(i) 12,000,000 shares were issued upon the exercise of share options at an exercise price of HK$0.455 per share, giving rise to an aggregate of net proceeds of approximately HK$5,460,000; and

(ii) 244,000,000 warrants were issued by way of private placing pursuant to a warrant subscription agreement dated 16 May 2007 entered into between the Company and an independent investor at an issue price of HK$0.01 per warrant, giving rise to an aggregate of net proceeds of approximately HK$2,000,000.

As at 31 March 2008, the Group had cash and bank balances of approximately HK$270,413,000 (as at 31 March 2007: approximately HK$258,960,000). Its gearing ratio calculated as a ratio of interest bearing net debt to shareholders' funds was nil (as at 31 March 2007: Nil). As at 31 March 2008, net current assets totalled approximately HK$271,089,000 (as at 31 March 2007: approximately HK$264,344,000) and the current ratio was maintained at a level of approximately 11.60 (as at 31 March 2007: approximately 17.96).

TREASURY POLICIES

The Group does not engage in any interest rates, currency speculation and operate deposit banking accounts with principal bankers in Hong Kong, the PRC and Indonesia. The interest rates of these are fixed by reference to the respective countries interbank offer rate. The Group maintains sufficient funding resources to execute its exploration and development business plans and generally takes a prudent and cautious approach to cash application and investment for its capital commitments, particularly in respect of the Group's business in the development of energy and natural resources which may require heavy investments required.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had no contingent liabilities (as at 31 March 2007: Nil).

CAPITAL COMMITMENTS

As at 31 March 2008, the Group had the following commitments which were not provided for in the financial statements:

	2008	**2007**
	HK$'000	*HK$'000*
Authorised and contracted for:		
Acquisition of the land use right in the PRC *(Note (i))*	1,445	1,300
Investment in a joint venture company *(Note (ii))*	44,587	47,500

Notes:

(i) On 25 February 2007, the Group entered into the agreement for the acquisition of land use right in the PRC at a consideration of approximately RMB10.3 million, of which HK$9,000,000 has been paid during the year ended 31 March 2007.

(ii) Pursuant to a joint venture agreement dated 4 February 2005 entered into between SPGL (a wholly owned subsidiary of the Company) and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the PRC, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas.

On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company is RMB50 million which is to be contributed by SPGL as to RMB47.5 million (2007: RMB47.5 million) and by the New Joint Venture Partner as to RMB2.5 million. For the year ended 31 March 2008, approximately RMB7.4 million (equivalent to HK$7.8 million) has been injected by SPGL to CNPC.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 March 2008, the Group mainly operated in the PRC and the majority of the Group's transactions and balances as at and for the year ended 31 March 2008 was denominated in RMB. All the sales and purchases for the year ended 31 March 2008 were denominated in RMB, which is the functional currency of the operating units making the sales and purchases. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group employed 42 full-time employees in the PRC, Hong Kong and Indonesia. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

(III) For the year ended 31 March 2009

BUSINESS REVIEW

For the year ended 31 March 2009, the Group recorded total turnover of approximately HK$31,335,000 which comprises a turnover of (i) approximately HK$21,817,000 from the sale of fuel oil and chemicals (year ended 31 March 2008: HK$1,901,000); and (ii) approximately HK$9,518,000 from the sale of steel products (year ended 31 March 2008: approximately HK$Nil). For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$82,813,000 from the sale of copper concentrate powder. Total turnover of the Group decreased by approximately 63% as compared to last year. Such decrease was mainly caused by the fall in turnover from the sale of copper concentrate powder. For the year ended 31 March 2009, the Group's net loss attributable to shareholders was approximately HK$9,764,000 (year ended 31 March 2008: approximately HK$27,398,000).

The Group has been transforming to focus its development on energy and resources businesses, which are still at a developing stage. The following sets out briefly the progress of these projects.

1. CNPC

CNPC, a 95%-owned subsidiary of the Group, is principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services in the PRC. The business of wholesale of fuel oil has already commenced in 2008. For the year ended 31 March 2009, a total of approximately RMB12.2 million was injected by the joint venture parties as part of its entire registered capital. During the year ended 31 March 2009, CNPC recorded a turnover of approximately RMB19.2 million (equivalent to approximately HK$21.8 million).

2. Indonesia-Bitumen Joint Venture Extraction Project

Indocarbon, a 65%-owned subsidiary of the Group, has been engaged in mineral resources exploration project in Indonesia. Indocarbon owns the right to carry out general exploration in bitumen mines covering a total of 22,076 hectares of land in Buton, Indonesia, and has been granted four licences by the Government of the North Buton Administrative Region to conduct regional detailed exploration work within the exploratory area. These licences are valid for three years commencing from 6 November 2007 and can be extended for another two years upon expiry.

Due to the economic downturn and significant decrease of oil price, the Group has slowed down exploration works of the relevant bitumen mines. In light of the change of economic conditions and the trend of oil price, the Group will carefully evaluate the progress of the exploration works in the second half of 2009.

3. Hainan Tairui

Hainan Tairui, a 95%-owned subsidiary of the Group, has the requisite licence for processing of minerals and the mining, smelting as well as the sales of ferrous and non-ferrous products in the PRC. Due to serious economic downturn since late 2008, customers' demand on copper concentrate has substantially dropped. The sales teams then stopped the trading of copper concentrate powder and commenced to explore business opportunity in trading of other ferrous and non-ferrous products.

4. Investment and termination of investment in iron mines project in Hebei Province, the PRC

On 10 June 2008, Sino Prosper Minerals Investment Limited (the "2008 Purchaser"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement ("2008 Acquisition Agreement") (and supplemented by a supplemental agreement dated 27 August 2008) with Mr. Leung, an executive Director and a substantial shareholder of the Company, for the acquisition of, amongst others, Agortex Development Limited ("Agortex"), at a total consideration of RMB230 million (equivalent to HK$258 million).

The partial consideration of RMB50 million (equivalent to approximately HK$56.78 million) was paid by the 2008 Purchaser to Mr. Leung as initial deposit. The remaining consideration of RMB130 million (equivalent to approximately HK$147.62 million) shall be payable by the 2008 Purchaser to Mr. Leung on completion of the acquisition; and RMB50 million (equivalent to HK$56.78 million) shall be settled by the 2008 Purchaser procuring the Company to allot and issue up to 351,123,595 new shares at an issue price of HK$0.16 per share on completion of the acquisition. The sole asset of Agortex is the entire issued share capital of Fordtec Investment Limited ("Fordtec"), which owns 中連盈(大連)實業有限公司 (Zhonglianying (Dalian) Industry Co., Ltd) ("WFOE").

The acquisition would only be completed, among others, the obtaining of a valuation report showing the value of the project of WFOE, comprising a mining portion, an exploration portion and a product processing portion, to be not less than RMB370 million.

Mr. Leung is a connected person by virtue of him being a Director and a substantial Shareholder of the Company. As such, the acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The acquisition also constituted a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

On 8 May 2009, the Company received a letter from the independent valuer which stated that the worth of the project of the WFOE would be significantly lower than the estimation made in 2008. After careful consideration, the Directors (including the independent non-executive Directors) were of the view that it would not be in the interest of the Company to pursue the 2008 Acquisition Agreement. Mr. Leung and the 2008 Purchaser thus entered into a termination deed, whereby the 2008 Purchaser and Mr. Leung had mutually agreed to terminate the 2008 Acquisition Agreement with effect from 11 May 2009 in accordance with its terms. The aforesaid initial deposit of RMB50 million had been repaid by Mr. Leung to the 2008 Purchaser as at the date of this announcement.

FINANCIAL REVIEW

Net assets

As at 31 March 2009, the Group recorded total assets of approximately HK$315,650,000 (as at 31 March 2008: approximately HK$297,652,000), and recorded total liabilities of approximately HK$41,430,000 (as at 31 March 2008: approximately HK$25,699,000). The Group's net asset value as at 31 March 2009 increased by 0.83% to approximately HK$274,220,000 as compared to approximately HK$271,953,000 as at 31 March 2008.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and capital fund raising activities. For the year ended 31 March 2009,

(i) 24,000,000 ordinary shares were issued upon the exercise of share options at an exercise price of HK$0.03 per share, giving rise to an aggregate net proceeds of approximately HK$720,000; and

(ii) 257,230,000 ordinary shares were issued by way of placing of new shares pursuant to a placing agreement dated 15 October 2008 entered into between the Company and the placing agent (as supplemented by an extension agreement dated 25 November 2008 and entered into between the same parties), whereby the Company has conditionally agreed to place through the placing agent, on a best effort basis, 257,230,000 ordinary shares to not less than six placees at an issue price of HK$0.033 per share, giving rise to an aggregate net proceeds of approximately HK$7,789,000, which are intended to be used as general working capital of the Group and funding for investments when opportunities arise. The market price of ordinary share of the Company on 15 October 2008 is HK$0.036 per ordinary share.

On 21 May 2008, the Company and the placing agent entered into a placing agreement ("old placing agreement") (and supplemented by a few supplemental agreements made between the same parties) whereby the Company had conditionally agreed to place through the placing agent, on a best effort basis, 257,230,000 placing shares to independent investors at an issue price of HK$0.125 per placing share ("old placing"). As the old placing did not receive glamorous feedback from potential investors under the then current market volatility, the placing agent had not successfully placed the placing shares up to 15 October 2008, being the long-stop date of the old placing agreement extended by the extension agreements. Accordingly, the old placing agreement had lapsed and the parties to the old placing agreement agreed not to proceed with the old placing.

As at 31 March 2009, the Group had cash and bank balances of approximately HK$230,232,000 (as at 31 March 2008: approximately HK$270,413,000). As at 31 March 2009 and 2008, the Group had no outstanding borrowings. Its gearing ratio calculated as a ratio of interest bearing net debt to shareholders' funds was nil (as at 31 March 2008: Nil). As at 31 March 2009, net current assets totalled approximately HK$273,487,000 (as at 31 March 2008: approximately HK$271,089,000) and the current ratio was maintained at a level of approximately 7.6 (as at 31 March 2008: approximately 11.6).

TREASURY POLICIES

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

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had no contingent liabilities (as at 31 March 2008: Nil).

CAPITAL COMMITMENTS

As at 31 March 2009, the Group had the following commitments which were not provided for in the financial statements:

	2009	**2008**
	HK$'000	*HK$'000*
Authorised and contracted for investment in a joint venture company	40,544	44,587

Note: The registered capital of the joint venture company is RMB50 million which is to be contributed by SPGL, (a wholly owned subsidiary of the Company) as to RMB47.5 (2008: RMB47.5 million) and by Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited as to RMB2.5 million. Approximately RMB11.8 million, equivalent to HK$12.8 million (2008: approximately RMB7.4 million, equivalent to HK$7.8 million) has been contributed by SPGL during the year ended 31 March 2009.

The joint venture company, namely 中油中盈石油燃氣銷售有限公司, was treated as a subsidiary of the Group as at 31 March 2009.

Save as disclosed above, the Company had no significant capital commitments as at the balance sheet date.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 March 2009, the Group mainly operated in the PRC and the majority of the Group's transactions conducted during the year and balances of current assets and liabilities as at 31 March 2009 were denominated in RMB. All the sales and purchases for the year ended 31 March 2009 were denominated in RMB, which is the functional currency in making the sales and purchases. The Directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management has been monitoring the Group's exposure to foreign exchange risks and will consider hedging significant foreign currency risks should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group employed 38 full-time employees in the PRC, Hong Kong and Indonesia. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

4. INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Enlarged Group had no borrowings outstanding.

Contingent liabilities

As at 30 June 2009, the Enlarged Group had no significant contingent liabilities.

Capital and other commitments

As at 30 June 2009, the Enlarged Group had capital commitments in respect of the investment in a joint venture company amounting to approximately HK$40,544,000 of which all had been authorized and contracted but not provided for.

In addition, as at 30 June 2009, the Enlarged Group had operating lease commitments amounting to approximately HK$825,000.

Disclaimers

Save as disclosed above, as at the close of business on 30 June 2009, the Enlarged Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

The Board has confirmed that, save as disclosed above, there has not been any other material change in the indebtedness, commitments or contingent liabilities of the Enlarged Group since the Latest Practicable Date.

5. WORKING CAPITAL

Taking into account the existing cash and bank balances, banking facilities and other internal resources available, the Directors, after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least two years from the date of this circular. The Enlarged Group will not have any material funding requirement for the two year period following the issue of this circular.

The Directors estimated that, for the two years following the issue of this circular, the Enlarged Group will have (i) cash inflows of approximately HK$725.2 million arising mainly from the business activities of the Enlarged Group; and (ii) cash outflows of approximately HK$535.9 million mainly arising from the operations and expenditures of the Enlarged Group including the funds required to exploit the Target Mines and interest expenses of the Promissory Note. The Directors estimate that the Enlarged Group will invest approximately RMB46.0 million for the exploitation, exploration and production works before the Target Mines start to generate revenue in 2010 to the Enlarged Group.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

31 August 2009

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Nice Think Group Limited (the "Target BVI") for the period from 10 October 2007 (date of incorporation) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009 (the "Relevant Periods"), for inclusion in the circular dated 31 August 2009 (the "Circular") issued by Sino Prosper Holdings Limited (the "Company") in connection with the proposed acquisition (the "Acquisition") by Sino Prosper (States Gold) Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, of the entire issued share capital of the Target BVI, and all the obligation, liabilities and debts owing or incurred by the Target BVI to the vendor, Mr. Leung Ngai Man (the "Vendor"), a director and a substantial shareholder of the Company.

The Target BVI was incorporated in the British Virgin Islands with limited liability on 10 October 2007 and acts as an investment holding company. The addresses of the registered office and principal place of business of the Target BVI are 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. As at the date of this report, the Vendor is the legal and beneficial owner of the entire issued share capital of the Target BVI.

As at the date of this report, the Target BVI had the following subsidiaries, which are private companies with limited liability and were acquired by the Target BVI subsequent to 31 March 2009:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up registered capital	Attributable equity interests held by the Target BVI	Principal activities
Victor Bright Investment Limited (the "Target HK")	Limited liability company incorporated in Hong Kong on 21 August 2008	1 ordinary share of HK$1	100% (Direct)	Investment holding
黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) (the "Target PRC")	Sino-foreign equity joint venture enterprise established in the People's Republic of China ("PRC") on 15 February 2007	Registered capital of RMB1,540,000 *(Note)*	65% (Indirect)	Wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained

Note: The registered capital of the Target PRC is RMB5,700,000 of which RMB1,540,000 has been contributed. The Target HK is committed to contribute the outstanding registered capital of the Target PRC payable by the Target HK of RMB4,160,000 (equivalent to approximately HK$4,730,000).

The financial year end date of the Target BVI is December 31. No audited financial statements have been prepared for Target BVI as the Target BVI was incorporated in a country where there is no statutory audit requirement.

As a basis for forming an opinion on the Financial Information for the purpose of this report, the sole director of the Target BVI has prepared management accounts of the Target BVI for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The income statements, cash flow statements and statements of changes in equity of the Target BVI for the Relevant Periods and the balance sheets as at 31 December 2007 and 2008 and 31 March 2009 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the sole director of the Target BVI who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target BVI as at 31 December 2007 and 2008 and 31 March 2009 and of the results and cash flows of the Target BVI for the period from 10 October 2007 (date of incorporation) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009.

The comparative income statement, cash flow statement and statement of changes in equity of the Target BVI for the three months period ended 31 March 2008, together with the notes thereon (the "31 March 2008 Financial Information"), were prepared by the sole director of the Target BVI solely for the purpose of this report. We have reviewed the 31 March 2008 Financial Information in accordance with the Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 March 2008 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the 31 March 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

I. FINANCIAL INFORMATION

Income statements

	Notes	For the period from 10 October 2007 (date of incorporation) to 31 December 2007 HK$ (Audited)	Year ended 31 December 2008 HK$ (Audited)	For the three months period ended 31 March 2008 HK$ (Unaudited)	For the three months period ended 31 March 2009 HK$ (Audited)
Revenue	5	–	–	–	–
General and administrative expenses		–	(15,600)	–	–
Loss before tax		–	(15,600)	–	–
Income tax expense	7	–	–	–	–
Loss for the period/year	8	–	(15,600)	–	–

Balance sheets

	Notes	As at 31 December 2007 HK$ (Audited)	As at 31 December 2008 HK$ (Audited)	As at 31 March 2009 HK$ (Audited)
Current assets				
Amount due from a director	11	8	–	–
Current liabilities				
Amount due to a director	11	–	15,592	15,592
Net assets/(liabilities)		8	(15,592)	(15,592)
Capital and reserves				
Share capital	12	8	8	8
Accumulated losses		–	(15,600)	(15,600)
Total equity		8	(15,592)	(15,592)

Statements of changes in equity

	Attributable to equity holders of the Target BVI		
	Share capital *HK$*	**Accumulated losses** *HK$*	**Total equity** *HK$*
At 10 October 2007 (date of incorporation)	–	–	–
Issue of ordinary share	8	–	8
Loss for the period	–	–	–
At 31 December 2007	8	–	8
Loss for the year	–	(15,600)	(15,600)
At 31 December 2008, 1 January 2009 and 31 March 2009	8	(15,600)	(15,592)
For the three months period ended 31 March 2008 (Unaudited)			
At 1 January 2008	8	–	8
Loss for the period	–	–	–
At 31 March 2008	8	–	8

Cash flow statements

	For the period from 10 October 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$*	*HK$*
	(Audited)	(Audited)	(Unaudited)	(Audited)
Operating activities				
Loss before tax and operating cash flows before movements in working capital	–	(15,600)	–	–
Amount due from a director	(8)	8		
Amount due to a director	–	15,592	–	–
Net cash used in operating activities	(8)	–	–	–
Financing activities				
Proceeds from issue of ordinary share	8	–	–	–
Net cash generated by financing activities	8	–	–	–
Cash and cash equivalents at the beginning and at the end of the financial period/year	–	–	–	–

Notes to the Financial Information

1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information of the Target BVI is presented in Hong Kong dollars, which is the same as the functional currency of the Target BVI.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target BVI has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

		Notes
HKFRSs (Amendments)	Improvements to HKFRSs	*1*
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*2*
HKAS 1 (Revised)	Presentation of Financial Statements	*3*
HKAS 23 (Revised)	Borrowing Costs	*3*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*4*
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	*3*
HKAS 39 (Amendment)	Eligible Hedged Items	*4*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	*3*
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	*3*
HKFRS 3 (Revised)	Business Combinations	*4*
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments	*3*
HKFRS 8	Operating Segments	*3*
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives	*5*

HK(IFRIC)-Int 13	Customer Loyalty Programmes	*6*
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	*3*
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	*7*
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	*4*
HK(IFRIC)-Int 18	Transfers of Assets from Customers	*8*

Notes:

1. Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2. Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3. Effective for annual periods beginning on or after 1 January 2009
4. Effective for annual periods beginning on or after 1 July 2009
5. Effective for annual periods ending on or after 30 June 2009
6. Effective for annual periods beginning on or after 1 July 2008
7. Effective for annual periods beginning on or after 1 October 2008
8. Effective for transfers of assets from customers received on or after 1 July 2009

The director of the Target BVI anticipates that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target BVI.

3. SIGNIFICANT ACCOUNTING POLICIES

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target BVI's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Target BVI is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Target BVI reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Target BVI becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Target BVI's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amount due from a director) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target BVI are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Target BVI's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Other financial liabilities (including amount due to a director) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target BVI are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target BVI has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Target BVI retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target BVI continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Target BVI has a present obligation as a result of a past event, and it is probable that the Target BVI will be required to settle that obligation. Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target BVI's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. However, there are no critical accounting estimates or assumptions used in the Financial Information that the director expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

5. REVENUE

The Target BVI did not generate any revenue during the Relevant Periods.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

No business segment information has been presented as the Target BVI has not yet commenced business during the Relevant Periods and intends to principally engage in investment holding.

No geographical segment information has been presented as all the Target BVI's assets at 31 December 2007 and 2008 and 31 March 2009 were located in Hong Kong.

7. INCOME TAX EXPENSE

No provision for income tax has been made as the Target BVI did not generate any taxable profit during the Relevant Period.

No deferred tax assets and liabilities are recognized in the Financial Information as the Target BVI did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 December 2007 and 2008 and 31 March 2009.

8. LOSS FOR THE PERIOD/YEAR

	For the period from 10 October 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Auditors' remuneration	–	–	–	–
Employee benefits expense (including director's emoluments)				
– Director's remuneration	–	–	–	–
– Other staff cost	–	–	–	–
Preliminary expenses	–	10,600	–	–

9. DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to the director were as follows:

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	HK$	*HK$*	*HK$*	*HK$*
For the period from 10 October 2007 (date of incorporation) to 31 December 2007				
Leung Ngai Man (Appointed on 10 October 2007)	–	–	–	–
Year ended 31 December 2008				
Leung Ngai Man	–	–	–	–
For the three months period ended 31 March 2008 (unaudited)				
Leung Ngai Man	–	–	–	–
For the three months period ended 31 March 2009				
Leung Ngai Man	–	–	–	–

Compensation to key management personnel

The director of the Target BVI considers that the director is the only key management personnel of the Target BVI.

There were no arrangements under which a director of the Target BVI waived or agreed to waive any remuneration during the Relevant Periods. There were no discretionary bonuses paid to the director of the Target BVI during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Target BVI to the director as an inducement to join or upon joining the Target BVI or as compensation for loss of office.

10. LOSS PER SHARE

Loss per share has not been presented as such information is not considered meaningful for the purpose of this report.

11. AMOUNT DUE FROM/(TO) A DIRECTOR

The amount due from/(to) a director is as follows:

	As at 31 December 2007	**As at 31 December 2008**	**As at 31 March 2009**
	HK$	*HK$*	*HK$*
Leung Ngai Man	8	(15,592)	(15,592)
Highest outstanding balance during the period/year	8	8	–

The amount due from/(to) a director is unsecured, interest-free and repayable on demand.

12. SHARE CAPITAL

	As at 31 December 2007	**As at 31 December 2008**	**As at 31 March 2009**
Authorized:			
50,000 ordinary shares of US$1 each	US$50,000	US$50,000	US$50,000
Issued and fully paid:			
1 ordinary share of US$1	HK$8	HK$8	HK$8

On 10 October 2007, the Target BVI was incorporated with an initial authorized share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. Upon incorporation, the Target BVI issued 1 ordinary share of US$1 at par to the subscriber as the capital base of the Target BVI.

13. CAPITAL RISK MANAGEMENT

The Target BVI manages its capital to ensure that the Target BVI will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Target BVI consists of equity attributable to equity holders of the Target BVI, comprising share capital and accumulated losses. In order to maintain or adjust the capital structure, the Target BVI may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

14. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2007 HK$	As at 31 December 2008 HK$	As at 31 March 2009 HK$
Financial assets:			
Loans and receivables:			
– Amount due from a director	8	–	–
Financial liabilities:			
Financial liabilities at amortized cost:			
– Amount due to a director	–	15,592	15,592

(b) Financial risk management objectives and policies

The Target BVI's major financial instruments include amount due from a director and amount due to a director. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Target BVI's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk

The director of the Target BVI considers that the Target BVI is not exposed to significant foreign currency risk.

Interest rate risk

The Target BVI is exposed to minimal interest rate risks as the Target BVI's financial assets and liabilities are non-interest bearings.

Price risk

As the Target BVI has no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, the Target BVI is not exposed to significant price risk.

Credit risk

The Target BVI has no significant credit risk, including risk resulting from counterparty default and risk of concentration. The Target BVI has policies in place for the control and monitoring of such credit risk.

Liquidity risk

The liquidity of the Target BVI is managed and monitored by maintaining sufficient cash balances. The director of the Target BVI considers that the Target BVI does not have significant liquidity risk.

All the Target BVI's financial liabilities are repayable on demand. In the opinion of the director of the Target BVI, the preparation of maturity profile is not necessary.

(c) Fair value of financial instruments

The director of the Target BVI considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

II. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, no other significant event took place subsequent to 31 March 2009.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target BVI have been prepared in respect of any period subsequent to 31 March 2009.

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

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

31 August 2009

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Victor Bright Investment Limited (the "Target HK") for the period from 21 August 2008 (date of incorporation) to 31 December 2008 and the three months period ended 31 March 2009 (the "Relevant Periods"), for inclusion in the circular dated 31 August 2009 (the "Circular") issued by Sino Prosper Holdings Limited (the "Company") in connection with the proposed acquisition (the "Acquisition") by Sino Prosper (States Gold) Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, of the entire issued share capital of Nice Think Group Limited (the "Target BVI"), and all the obligation, liabilities and debts owing or incurred by the Target BVI to the vendor, Mr. Leung Ngai Man (the "Vendor"), a director and a substantial shareholder of the Company.

The Target HK was incorporated in Hong Kong with limited liability on 21 August 2008 and acts as an investment holding company. The addresses of the registered office and principal place of business of the Target HK are Room 1606, 16th Floor, Office Tower, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong. As at 31 March 2009, the Target HK was wholly and beneficially owned by the Vendor. On 6 April 2009, the Vendor transferred the entire issued share capital of the Target HK to the Target BVI at a consideration of HK$1. As at the date of this report, the holding company of the Target HK is the Target BVI, a company incorporated in the British Virgin Islands with limited liability.

As at the date of this report, the Target HK had the following subsidiary, which is a private company with limited liability and was acquired by the Target HK subsequent to 31 March 2009:

Name of subsidiary	Place and date of establishment	Issued and fully paid up registered capital	Attributable equity interests held by the Target HK	Principal activities
黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) (the "Target PRC")	Sino-foreign equity joint venture enterprise established in the People's Republic of China ("PRC") on 15 February 2007	Registered capital of RMB1,540,000 *(Note)*	65% (Direct)	Wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained

Note: The registered capital of the Target PRC is RMB5,700,000 of which RMB1,540,000 has been contributed. The Target HK is committed to contribute the outstanding registered capital of the Target PRC payable by the Target HK of RMB4,160,000 (equivalent to approximately HK$4,730,000).

The financial year end date of the Target HK is December 31. No audited financial statements have been prepared for the Target HK as the Target HK was newly incorporated.

As a basis for forming an opinion on the Financial Information for the purpose of this report, the sole director of the Target HK has prepared management accounts of the Target HK for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The income statements, cash flow statements and statements of changes in equity of the Target HK for the Relevant Periods and the balance sheets as at 31 December 2008 and 31 March 2009 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the sole director of the Target HK who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target HK as at 31 December 2008 and 31 March 2009 and of the results and cash flows of the Target HK for the period from 21 August 2008 (date of incorporation) to 31 December 2008 and the three months period ended 31 March 2009.

I. FINANCIAL INFORMATION

Income statements

	Notes	For the period from 21 August 2008 (date of incorporation) to 31 December 2008 HK$ (Audited)	For the three months period ended 31 March 2009 HK$ (Audited)
Revenue	5	–	–
General and administrative expenses		(6,610)	(5,420)
Loss before tax		(6,610)	(5,420)
Income tax expense	7	–	–
Loss for the period	8	(6,610)	(5,420)

Balance sheets

	Notes	As at 31 December 2008 HK$ (Audited)	As at 31 March 2009 HK$ (Audited)
Current assets			
Bank balances	11	590	590
Current liabilities			
Amount due to a director	12	7,199	12,619
Net liabilities		(6,609)	(12,029)
Capital and reserves			
Share capital	13	1	1
Accumulated losses		(6,610)	(12,030)
Total equity		(6,609)	(12,029)

Statements of changes in equity

	Attributable to equity holders of the Target HK		
	Share capital *HK$*	**Accumulated losses** *HK$*	**Total equity** *HK$*
At 21 August 2008 (date of incorporation)	–	–	–
Issue of ordinary share	1	–	1
Loss for the period	–	(6,610)	(6,610)
At 31 December 2008	1	(6,610)	(6,609)
Loss for the period	–	(5,420)	(5,420)
At 31 March 2009	1	(12,030)	(12,029)

Cash flow statements

	For the period from 21 August 2008 (date of incorporation) to 31 December 2008	For the three months period ended 31 March 2009
	HK$	*HK$*
	(Audited)	(Audited)
Operating activities		
Loss before tax and operating cash flows before movements in working capital	(6,610)	(5,420)
Amount due to a director	7,199	5,420
Net cash generated by operating activities	589	–
Financing activities		
Proceeds from issue of ordinary share	1	–
Net cash generated by financing activities	1	–
Net increase in cash and cash equivalents	590	–
Cash and cash equivalents at the beginning of the financial period	–	590
Cash and cash equivalents at the end of the financial period	590	590
Analysis of the balances of cash and cash equivalents		
Bank balances	590	590

Notes to the Financial Information

1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information of the Target HK is presented in Hong Kong dollars, which is the same as the functional currency of the Target HK.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target HK has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

		Notes
HKFRSs (Amendments)	Improvements to HKFRSs	*1*
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*2*
HKAS 1 (Revised)	Presentation of Financial Statements	*3*
HKAS 23 (Revised)	Borrowing Costs	*3*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*4*
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	*3*
HKAS 39 (Amendment)	Eligible Hedged Items	*4*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	*3*
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	*3*
HKFRS 3 (Revised)	Business Combinations	*4*
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments	*3*
HKFRS 8	Operating Segments	*3*
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives	*5*

HK(IFRIC)-Int 13	Customer Loyalty Programmes	*6*
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	*3*
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	*7*
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	*4*
HK(IFRIC)-Int 18	Transfers of Assets from Customers	*8*

Notes:

1. Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2. Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3. Effective for annual periods beginning on or after 1 January 2009
4. Effective for annual periods beginning on or after 1 July 2009
5. Effective for annual periods ending on or after 30 June 2009
6. Effective for annual periods beginning on or after 1 July 2008
7. Effective for annual periods beginning on or after 1 October 2008
8. Effective for transfers of assets from customers received on or after 1 July 2009

The director of the Target HK anticipates that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target HK.

3. SIGNIFICANT ACCOUNTING POLICIES

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target HK's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Target HK is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Target HK reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Target HK becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Target HK's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target HK are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Target HK's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Other financial liabilities (including amount due to a director) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target HK are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target HK has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Target HK retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target HK continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Target HK has a present obligation as a result of a past event, and it is probable that the Target HK will be required to settle that obligation. Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target HK's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. However, there are no critical accounting estimates or assumptions used in the Financial Information that the director expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

5. REVENUE

The Target HK did not generate any revenue during the Relevant Periods.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

No business segment information has been presented as the Target HK has not yet commenced business during the Relevant Periods and intends to principally engage in investment holding.

No geographical segment information has been presented as all the Target HK's assets at 31 December 2008 and 31 March 2009 were located in Hong Kong.

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% during the Relevant Periods. No provision for Hong Kong Profits Tax has been made as the Target HK did not generate any taxable profit in Hong Kong during the Relevant Periods.

No deferred tax assets and liabilities are recognized in the Financial Information as the Target HK did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 December 2008 and 31 March 2009.

8. LOSS FOR THE PERIOD

	For the period from 21 August 2008 (date of incorporation) to 31 December 2008	For the three months period ended 31 March 2009
	HK$	*HK$*
Auditors' remuneration	–	–
Employee benefits expense (including directors' emoluments)		
– Directors' remuneration	–	–
– Other staff cost	–	–
Preliminary expenses	6,200	–

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	HK$	*HK$*	*HK$*	*HK$*
For the period from 21 August 2008 (date of incorporation) to 31 December 2008				
Leung Ngai Man *(Note i)*	–	–	–	–
Cartech Limited *(Note ii)*	–	–	–	–
	–	–	–	–
For the three months period ended 31 March 2009				
Leung Ngai Man	–	–	–	–

Notes:

i. Appointed on 27 October 2008.

ii Appointed on 15 August 2008 and resigned on 27 October 2008.

Compensation to key management personnel

The directors of the Target HK consider that they are only key management personnel of the Target HK.

There were no arrangements under which a director of the Target HK waived or agreed to waive any remuneration during the Relevant Periods. There were no discretionary bonuses paid to the directors of the Target HK during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Target HK to the directors as an inducement to join or upon joining the Target HK or as compensation for loss of office.

10. LOSS PER SHARE

Loss per share has not been presented as such information is not considered meaningful for the purpose of this report.

11. BANK BALANCES

Bank balances comprises bank balances that earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy bank with no recent history of default.

12. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	As at 31 December 2008	**As at 31 March 2009**
	HK$	*HK$*
Authorized:		
10,000 ordinary shares of HK$1 each	10,000	10,000
Issued and fully paid:		
1 ordinary share of HK$1	1	1

On 21 August 2008, the Target HK was incorporated with an initial authorized share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. Upon incorporation, the Target HK issued 1 ordinary share of HK$1 at par to the subscriber as the capital base of the Target HK.

14. CAPITAL RISK MANAGEMENT

The Target HK manages its capital to ensure that the Target HK will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Target HK consists of cash and cash equivalents and equity attributable to equity holders of the Target HK, comprising share capital and accumulated losses. In order to maintain or adjust the capital structure, the Target HK may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

15. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2008 *HK$*	As at 31 March 2009 *HK$*
Financial assets:		
Loans and receivables:		
– Bank balances	590	590
Financial liabilities:		
Financial liabilities at amortized cost:		
– Amount due to a director	7,199	12,619

(b) Financial risk management objectives and policies

The Target HK's major financial instruments include bank balances and amount due to a director. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Target HK's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk

The director of the Target HK considers that the Target HK is not exposed to significant foreign currency risk.

Interest rate risk

The Target HK is exposed to minimal interest rate risks as the Target HK's financial assets and liabilities are non-interest bearings.

Price risk

As the Target HK has no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, the Target HK is not exposed to significant price risk.

Credit risk

The Target HK has no significant credit risk, including risk resulting from counterparty default and risk of concentration. The Target HK has policies in place for the control and monitoring of such credit risk.

Liquidity risk

The liquidity of the Target HK is managed and monitored by maintaining sufficient cash balances. The director of the Target HK considers that the Target HK does not have significant liquidity risk.

All the Target HK's financial liabilities are repayable on demand. In the opinion of the director of the Target HK, the preparation of maturity profile is not necessary.

(c) Fair value of financial instruments

The director of the Target HK considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

II. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, no other significant event took place subsequent to 31 March 2009.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target HK have been prepared in respect of any period subsequent to 31 March 2009.

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

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

31 August 2009

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) (the "Target PRC") for the period from 15 February 2007 (date of establishment) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009 (the "Relevant Periods"), for inclusion in the circular dated 31 August 2009 (the "Circular") issued by Sino Prosper Holdings Limited (the "Company") in connection with the proposed acquisition (the "Acquisition") by Sino Prosper (States Gold) Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, of the entire issued share capital of Nice Think Group Limited (the "Target BVI"), and all the obligation, liabilities and debts owing or incurred by the Target BVI to the vendor, Mr. Leung Ngai Man (the "Vendor"), a director and a substantial shareholder of the Company.

The Target PRC was established in the People's Republic of China ("PRC") with limited liability on 15 February 2007 and is principally engaged in the wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained. The address of the registered office and principal place of business of the Target PRC is 哈爾濱市南崗區閩江市小區二期11棟4單元6層1號.

As at 31 March 2009, the Target PRC was owned as to 60% and 40% respectively by two independent third parties. The then registered capital of the Target PRC was RMB500,000. In March 2009, Victor Bright Investment Limited (the "Target HK") entered into a capital increase and subscription agreement with the two independent third parties pursuant to which the Target HK has agreed to contribute RMB5.2 million (equivalent to approximately HK$5.9 million) to acquire 65% interests in the Target PRC. In April 2009, the Vendor has made capital contribution (on behalf of the Target HK) of RMB1.04 million (equivalent to approximately HK$1.19 million) to the Target PRC. Pursuant to the terms of the agreement dated 17 April 2009 and entered into between the Purchaser and the Vendor in respect of the Acquisition (the "Acquisition Agreement"), after the completion of the Acquisition, the Company and its subsidiaries (the "Group") are required to contribute the outstanding registered capital of the Target PRC payable by the Target HK of RMB4.16 million (equivalent to approximately HK$4.73 million). Subsequent to the subscription of the capital in Target PRC by the Target HK, the registered capital and the total investment of the Target PRC are RMB5.7 million (equivalent to approximately HK$6.48 million) and RMB8.1 million (equivalent to approximately HK$9.20 million) respectively.

The financial year end date of the Target PRC is December 31. The PRC statutory financial statements of the Target PRC for the period from 15 February 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC. The PRC statutory financial statements of the Target PRC for the year ended 31 December 2008 were audited by Heilongjiang Longxind Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC.

As a basis for forming an opinion on the Financial Information for the purpose of this report, the management of the Target PRC has prepared management accounts of the Target PRC for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The income statements, cash flow statements and statements of changes in equity of the Target PRC for the Relevant Periods and the balance sheets as at 31 December 2007 and 2008 and 31 March 2009 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the management of the Target PRC who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target PRC as at 31 December 2007 and 2008 and 31 March 2009 and of the results and cash flows of the Target PRC for the period from 15 February 2007 (date of establishment) to 31 December 2007, the year ended 31 December 2008 and the three months period ended 31 March 2009.

The comparative income statement, cash flow statement and statement of changes in equity of the Target PRC for the three months period ended 31 March 2008, together with the notes thereon (the "31 March 2008 Financial Information"), were prepared by the management of the Target PRC solely for the purpose of this report. We have reviewed the 31 March 2008 Financial Information in accordance with the Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 March 2008 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the 31 March 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

I. FINANCIAL INFORMATION

Income statements

	Notes	**For the period from 15 February 2007 (date of establishment) to 31 December 2007** *HK$* (Audited)	**Year ended 31 December 2008** *HK$* (Audited)	**For the three months period ended 31 March 2008** *HK$* (Unaudited)	**For the three months period ended 31 March 2009** *HK$* (Audited)
Revenue	*5*	–	–	–	–
Other income	*7*	4,852	848	–	1,901
General and administrative expenses		(21,502)	(92,021)	(11,309)	(90,003)
Loss before tax		(16,650)	(91,173)	(11,309)	(88,102)
Income tax expense	*8*	–	–	–	–
Loss for the period/year	*9*	(16,650)	(91,173)	(11,309)	(88,102)

Balance sheets

	Notes	As at 31 December 2007 HK$ (Audited)	As at 31 December 2008 HK$ (Audited)	As at 31 March 2009 HK$ (Audited)
Non-current assets				
Exploration and evaluation assets	*14*	–	327,423	329,220
Current assets				
Other receivables	*15*	808	1,808	36,530
Amount due from a shareholder	*16*	73,610	–	–
Bank balances and cash	*17*	443,346	142,404	83,109
		517,764	144,212	119,639
Current liabilities				
Other payables	*18*	–	2,865	43,740
Amount due to a shareholder	*16*	–	10,710	35,720
		–	13,575	79,460
Net current assets		517,764	130,637	40,179
Net assets		517,764	458,060	369,399
Capital and reserves				
Paid up capital	*19*	504,915	504,915	504,915
Reserves		12,849	(46,855)	(135,516)
Total equity		517,764	458,060	369,399

Statements of changes in equity

	Attributable to equity holders of the Target PRC			
	Paid up capital *HK$*	**Translation reserve** *HK$*	**Accumulated losses** *HK$*	**Total equity** *HK$*
At 15 February 2007 (date of establishment)	–	–	–	–
Exchange differences arising on translation of foreign operations	–	29,499	–	29,499
Net income recognized directly in equity	–	29,499	–	29,499
Loss for the period	–	–	(16,650)	(16,650)
Total recognized income and expenses for the period	–	29,499	(16,650)	12,849
Proceeds from capital contribution	504,915	–	–	504,915
At 31 December 2007	504,915	29,499	(16,650)	517,764
Exchange differences arising on translation of foreign operations	–	31,469	–	31,469
Net income recognized directly in equity	–	31,469	–	31,469
Loss for the year	–	–	(91,173)	(91,173)
Total recognized income and expenses for the year	–	31,469	(91,173)	(59,704)
At 31 December 2008	504,915	60,968	(107,823)	458,060
Exchange differences arising on translation of foreign operations	–	(559)	–	(559)
Net expenses recognized directly in equity	–	(559)	–	(559)
Loss for the period	–	–	(88,102)	(88,102)
Total recognized expenses for the period	–	(559)	(88,102)	(88,661)
At 31 March 2009	504,915	60,409	(195,925)	369,399

	Attributable to equity holders of the Target PRC			
	Paid up capital *HK$*	**Translation reserve** *HK$*	**Accumulated losses** *HK$*	**Total equity** *HK$*
For the three months period ended 31 March 2008 (Unaudited)				
At 1 January 2008	504,915	29,499	(16,650)	517,764
Exchange differences arising on translation of foreign operations	–	19,908	–	19,908
Net income recognized directly in equity	–	19,908	–	19,908
Loss for the period	–	–	(11,309)	(11,309)
Total recognized income and expenses for the period	–	19,908	(11,309)	8,599
At 31 March 2008	504,915	49,407	(27,959)	526,363

Cash flow statements

	For the period from 15 February 2007 (date of establishment) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$*	*HK$*
	(Audited)	(Audited)	(Unaudited)	(Audited)
Operating activities				
Loss before tax	(16,650)	(91,173)	(11,309)	(88,102)
Adjustments for:				
Interest income	(4,852)	(848)	–	(1,901)
Operating cash flows before movements in working capital	(21,502)	(92,021)	(11,309)	(90,003)
Other receivables	(808)	(1,000)	(31)	(34,722)
Amount due from a shareholder	(73,610)	73,610	7,198	–
Other payables	–	2,865	1,400	40,875
Amount due to a shareholder	–	10,710	–	25,010
Cash used in operations	(95,920)	(5,836)	(2,742)	(58,840)
Interest received	4,852	848	–	1,901
Net cash used in operating activities	(91,068)	(4,988)	(2,742)	(56,939)
Investing activities				
Exploration and evaluation costs paid	–	(327,423)	–	(2,199)
Net cash used in investing activities	–	(327,423)	–	(2,199)

	For the period from 15 February 2007 (date of establishment) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$*	*HK$*
	(Audited)	(Audited)	(Unaudited)	(Audited)
Financing activities				
Proceeds from capital contribution	504,915	–	–	–
Net cash generated by financing activities	504,915	–	–	–
Net increase/(decrease) in cash and cash equivalents	413,847	(332,411)	(2,742)	(59,138)
Cash and cash equivalents at the beginning of the financial period/year	–	443,346	443,346	142,404
Effect of foreign exchange rate changes	29,499	31,469	19,908	(157)
Cash and cash equivalents at the end of the financial period/year	443,346	142,404	460,512	83,109
Analysis of the balances of cash and cash equivalents				
Bank balances and cash	443,346	142,404	460,512	83,109

Notes to the Financial Information

1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information of the Target PRC is presented in Hong Kong dollars, whereas the functional currency of the Target PRC is Renminbi.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target PRC has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

		Notes
HKFRSs (Amendments)	Improvements to HKFRSs	*1*
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*2*
HKAS 1 (Revised)	Presentation of Financial Statements	*3*
HKAS 23 (Revised)	Borrowing Costs	*3*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*4*
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	*3*
HKAS 39 (Amendment)	Eligible Hedged Items	*4*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	*3*
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	*3*
HKFRS 3 (Revised)	Business Combinations	*4*
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments	*3*
HKFRS 8	Operating Segments	*3*
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives	*5*

HK(IFRIC)-Int 13	Customer Loyalty Programmes	6
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	*3*
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	*7*
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	*4*
HK(IFRIC)-Int 18	Transfers of Assets from Customers	*8*

Notes:

1. Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2. Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3. Effective for annual periods beginning on or after 1 January 2009
4. Effective for annual periods beginning on or after 1 July 2009
5. Effective for annual periods ending on or after 30 June 2009
6. Effective for annual periods beginning on or after 1 July 2008
7. Effective for annual periods beginning on or after 1 October 2008
8. Effective for transfers of assets from customers received on or after 1 July 2009

The directors of the Target PRC anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target PRC.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets are mainly comprised by cost to acquire exploration rights, expenditures incurred during topographical exploration process, including topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies. If any project is abandoned, the total expenditure thereon will be written off to the income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target PRC as lessee

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the Financial Information of the Target PRC, transactions in currencies other than the functional currency of the Target PRC (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the Target PRC operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target PRC are translated into the presentation currency (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target PRC's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Target PRC reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Target PRC becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Target PRC's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, amount due from a shareholder and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target PRC are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Target PRC's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Other financial liabilities (including other payables and amount due to a shareholder) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target PRC are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target PRC has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Target PRC retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target PRC continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Target PRC has a present obligation as a result of a past event, and it is probable that the Target PRC will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target PRC's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Impairment of exploration and evaluation assets

The application of the Target PRC's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will result, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the income statement in the period when the new information becomes available. More details are given in note 14.

5. REVENUE

The Target PRC did not generate any revenue during the Relevant Periods.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

No business segment information has been presented as the Target PRC has not yet commenced business during the Relevant Periods and intends to principally engage in the wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places which have obtained the exploration permits.

No geographical segment information has been presented as all the Target PRC's assets at 31 December 2007 and 2008 and 31 March 2009 were located in the PRC.

7. OTHER INCOME

	For the period from 15 February 2007 (date of establishment) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Bank interest income	4,852	848	–	1,901

8. INCOME TAX EXPENSE

The Target PRC was subject to PRC Enterprise Income Tax at a rate of 33% for the period from 15 February 2007 (date of establishment) to 31 December 2007 and 25% for the year ended 31 December 2008 and the three months period ended 31 March 2008 and 2009. No provision for PRC Enterprise Income Tax has been made as the Target PRC did not generate any taxable profit in the PRC during the Relevant Periods.

No deferred tax assets and liabilities are recognized in the Financial Information as the Target PRC did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 December 2007 and 2008 and 31 March 2009.

9. LOSS FOR THE PERIOD/YEAR

	For the period from 15 February 2007 (date of establishment) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$*	*HK$*
			(Unaudited)	
Auditors' remuneration	–	–	–	–
Employee benefits expense (including directors' emoluments)				
– Salaries and other benefits	12,600	40,532	9,882	10,220
– Contributions to retirement benefits schemes	–	–	–	–
Operating lease rentals in respect of land and buildings	–	–	–	6,154

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	HK$	*HK$*	*HK$*	*HK$*
For the period from 15 February 2007 (date of establishment) to 31 December 2007				
高麗艷 *(Note i)*	–	6,300	–	6,300
Year ended 31 December 2008				
高麗艷 *(Note i)*	–	20,266	–	20,266
For the three months period ended 31 March 2008 (unaudited)				
高麗艷 *(Note i)*	–	4,941	–	4,941
For the three months period ended 31 March 2009				
高麗艷 *(Note i)*	–	1,703	–	1,703
劉家慶 *(Note ii)*	–	–	–	–
劉萬林 *(Note ii)*	–	–	–	–
江南 *(Note ii)*	–	–	–	–
Total emoluments	–	1,703	–	1,703

There were no arrangements under which a director of the Target PRC waived or agreed to waive any remuneration during the Relevant Periods. There were no discretionary bonuses paid to the directors or the highest paid, non-director employees of the Target PRC during the Relevant Periods.

Notes:

i. Appointed on 15 February 2007 and resigned 30 January 2009

ii. Appointed on 23 March 2009

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Target PRC included one director during the Relevant Periods whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining highest paid individuals for the Relevant Periods, which fell within the salary band of Nil – HK$1 million, were as follows:

	For the period from 15 February 2007 (date of establishment) to 31 December 2007	Year ended 31 December 2008	For the three months period ended 31 March 2008	For the three months period ended 31 March 2009
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Salaries and other benefits	6,300	20,266	4,941	8,517
Contribution to retirement benefits schemes	–	–	–	–
Total emoluments	6,300	20,266	4,941	8,517

During the Relevant Periods, no emoluments were paid by the Target PRC to the five highest paid individuals, including directors, as an inducement to join or upon joining the Target PRC or as compensation for loss of office.

Compensation to key management personnel

The directors of the Target PRC consider that they are the only key management personnel of the Target PRC.

12. RETIREMENT BENEFIT SCHEMES

The employees employed in the Target PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The Target PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Target PRC with respect to the retirement benefits schemes is to make the required contributions under the schemes.

As at 31 December 2007 and 2008 and 31 March 2009, there were no forfeited contributions available for the Target PRC to offset contributions payable in future years.

13. LOSS PER SHARE

Loss per share has not been presented as such information is not considered meaningful for the purpose of this report.

14. EXPLORATION AND EVALUATION ASSETS

	Total
	HK$
At cost	
At 15 February 2007 (date of establishment), and 31 December 2007	–
Additions	327,423
At 31 December 2008	327,423
Additions	2,199
Exchange adjustments	(402)
At 31 March 2009	329,220

15. OTHER RECEIVABLES

	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	HK$	*HK$*	*HK$*
Prepayments	–	–	34,725
Other receivables	808	1,808	1,805
	808	1,808	36,530

The financial assets included in other receivables relate to receivables that were neither past due nor impaired.

16. AMOUNT DUE FROM/(TO) A SHAREHOLDER

The amount due from/(to) a shareholder is as follows:

	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	HK$	*HK$*	*HK$*
高麗艷	73,610	(10,710)	(35,720)
Highest outstanding balance during the period/year	428,012	73,610	–

The amount due from/(to) a shareholder is unsecured, interest-free and repayable on demand.

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Target PRC and bank balances that earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy bank with no recent history of default.

18. OTHER PAYABLES

	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	HK$	*HK$*	*HK$*
Other payables	–	2,865	43,740

The other payables are non-interest-bearing.

19. PAID UP CAPITAL

	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	HK$	*HK$*	*HK$*
Registered capital of RMB500,000	504,915	504,915	504,915

20. CAPITAL RISK MANAGEMENT

The Target PRC manages its capital to ensure that the Target PRC will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Target PRC consists of cash and cash equivalents and equity attributable to equity holders of the Target PRC, comprising paid up capital, reserves and accumulated losses. In order to maintain or adjust the capital structure, the Target PRC may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

21. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2007 *HK$*	As at 31 December 2008 *HK$*	As at 31 March 2009 *HK$*
Financial assets:			
Loans and receivables:			
– Other receivables	808	1,808	1,805
– Amount due from a shareholder	73,610	–	–
– Bank balances and cash	443,346	142,404	83,109
Financial liabilities:			
Financial liabilities at amortized cost:			
– Other payables	–	2,865	43,740
– Amount due to a shareholder	–	10,710	35,720

(b) Financial risk management objectives and policies

The Target PRC's major financial instruments include other receivables, amount due from a shareholder, bank balances and cash, other payables and amount due to a shareholder. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Target PRC's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk

The directors of the Target PRC consider that the Target PRC is not exposed to significant foreign currency risk.

Interest rate risk

The Target PRC is exposed to minimal interest rate risks as the Target PRC's financial assets and liabilities are non-interest bearings.

Price risk

As the Target PRC has no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, the Target PRC is not exposed to significant price risk.

Credit risk

The Target PRC has no significant credit risk, including risk resulting from counterparty default and risk of concentration. The Target PRC has policies in place for the control and monitoring of such credit risk.

Liquidity risk

The liquidity of the Target PRC is managed and monitored by maintaining sufficient cash balances. The directors of the Target PRC consider that the Target PRC does not have significant liquidity risk.

All the Target PRC's financial liabilities are repayable on demand. In our opinion of the directors of the Target PRC, the preparation of maturity profile is not necessary.

(c) Fair value of financial instruments

The directors of the Target PRC consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

II. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, no other significant event took place subsequent to 31 March 2009.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target PRC have been prepared in respect of any period subsequent to 31 March 2009.

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

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

The unaudited pro forma financial information of the Enlarged Group, comprising the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Enlarged Group (hereinafter collectively referred to as the "Pro Forma Financial Information"), has been prepared by the Directors to illustrate the effect of the Acquisition.

The Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I, the financial information of the Target Group (comprising the Target BVI, the Target HK and the Target PRC) as set out in Appendix IIA, IIB and IIC, and other financial information included elsewhere in this circular. The Pro Forma Financial Information does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group included in the Pro Forma Financial Information.

2. PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement of the Enlarged Group as if the Acquisition had been completed at the commencement of the period reported on. The unaudited pro forma consolidated income statement has been prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2009 as set out in Appendix I to this circular and the audited income statements of the Target BVI, the Target HK and the Target PRC for the year/period ended 31 December 2008 as set out in Appendix IIA, IIB and IIC to this circular respectively, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated income statement has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 March 2009 or any future periods.

	The Group for the year ended 31 March 2009	The Target BVI for the year ended 31 December 2008	The Target HK for the period ended 31 December 2008	The Target PRC for the year ended 31 December 2008	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Note 2.1	*Note 2.2*	
Revenue	31,335	–	–	–			31,335
Cost of sales	(30,774)	–	–	–			(30,774)
Gross profit	561	–	–	–			561
Other income and gains	6,147	–	–	1			6,148
General and administrative expenses	(16,275)	(16)	(6)	(92)			(16,389)
Finance costs	(40)	–	–	–	(2,515)	(4,091)	(6,646)
Loss before tax	(9,607)	(16)	(6)	(91)			(16,326)
Income tax expense	(355)	–	–	–		675	320
Loss for the year/period	(9,962)	(16)	(6)	(91)			(16,006)

Notes to the unaudited pro forma consolidated income statement of the Enlarged Group:

2.1 The adjustment reflects the imputed interest expense of approximately HK$2,515,000 on the Convertible Bonds issued as part of the final Consideration for the Acquisition, as if the Acquisition had been completed and the Convertible Bonds were issued by the Company at the commencement of the period reported on. For the purpose of the preparation of the unaudited pro forma consolidated income statement, the imputed interest expense has been computed on the assumption that the principal amount of the Convertible Bonds was approximately HK$136,364,000, carried an effective interest rate of 2.04% per annum and had a fixed term of 5 years from the date of issue. This adjustment is expected to have a continuing effect on the Enlarged Group.

2.2 The adjustment reflects the notional interest expense of approximately HK$4,091,000 on the Promissory Note, and the corresponding tax effect calculated at the Hong Kong Profits Tax rate of 16.5% thereon, as if the Acquisition had been completed and the Promissory Note of principal amount of RMB240,000,000 (equivalent to approximately HK$272,727,000) was issued by the Company at the commencement of the period reported on. For the purpose of the preparation of the unaudited pro forma consolidated income statement, the notional interest expense has been computed on the assumption that the Promissory Note was outstanding for twelve months. This adjustment is expected to have a continuing effect on the Enlarged Group.

3. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group as if the Acquisition had been completed at the date reported on. The unaudited pro forma consolidated balance sheet has been prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 as set out in Appendix I to this circular and the audited balance sheets of the Target BVI, the Target HK and the Target PRC as at 31 March 2009 as set out in Appendix IIA, IIB and IIC to this circular respectively, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 March 2009 or any future date.

	The Group as at 31 March 2009	The Target BVI as at 31 March 2009	The Target HK as at 31 March 2009	The Target PRC as at 31 March 2009	Pro forma adjustments					Pro forma Enlarged Group as at 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Note 3.1	*Note 3.2*	*Note 3.3*	*Note 3.4*	*Note 3.5*	
Non-current assets										
Property, plant and equipment	733	–	–	–						733
Exploration and evaluation assets	–	–	–	329	409,091	2,800		(1,219)	223,992	634,993
	733	–	–	329						635,726
Current assets										
Trade and other receivables	81,870	–	–	37						81,907
Amounts due from minority shareholders	2,815	–	–	–						2,815
Bank balances and cash	230,232	–	1	83		(2,800)	1,190			228,706
	314,917	–	1	120						313,428

	The Group as at 31 March 2009	The Target BVI as at 31 March 2009	The Target HK as at 31 March 2009	The Target PRC as at 31 March 2009	Pro forma adjustments					Pro forma Enlarged Group as at 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Note 3.1	*Note 3.2*	*Note 3.3*	*Note 3.4*	*Note 3.5*	
Current liabilities										
Trade and other payables	40,951	–	–	44						40,995
Amount due to a director	–	16	13	–			1,190	(1,219)		–
Amount due to a shareholder	–	–	–	36						36
Obligation under a hire-purchase contract	124	–	–	–						124
Tax liabilities	355	–	–	–						355
	41,430	16	13	80						41,510
Net current assets/(liabilities)	273,487	(16)	(12)	40						271,918
Total assets less current liabilities	274,220	(16)	(12)	369						907,644
Non-current liabilities										
Convertible bonds	–	–	–	–	125,836					125,836
Promissory note	–	–	–	–	272,727					272,727
	–	–	–	–						398,563
Net assets/(liabilities)	274,220	(16)	(12)	369						509,081
Capital and reserves										
Share capital	15,674	–	–	505					(505)	15,674
Share premium and reserves	257,461	(16)	(12)	(136)	10,528				164	267,989
Equity attributable to equity holders of the Company	273,135	(16)	(12)	369						283,663
Minority interests	1,085	–	–	–					224,333	225,418
Total equity	274,220	(16)	(12)	369						509,081

Notes to the unaudited pro forma consolidated balance sheet of the Enlarged Group:

3.1 The adjustment reflects the settlement of the final Consideration for the Acquisition of RMB360,000,000 (equivalent to approximately HK$409,091,000) in the following manner:

(i) RMB120,000,000 (equivalent to approximately HK$136,364,000) to be satisfied by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor on Completion; and

(ii) the balance of RMB240,000,000 (equivalent to approximately HK$272,727,000) to be satisfied by the Purchaser (or the Company (if mutually agreed by the Vendor and the Purchaser)) to issue the Promissory Note to the Vendor on Completion.

For the purpose of the preparation of the unaudited pro forma consolidated balance sheet, it has been assumed that:

(i) the final Consideration has been adjusted to RMB360,000,000 (equivalent to approximately HK$409,091,000) pursuant to the terms of the Acquisition Agreement, of which RMB120,000,000 was satisfied by the issuance of the Convertible Bonds and the remaining RMB240,000,000 was satisfied by the issuance of the Promissory Note;

(ii) the face value of the Convertible Bonds approximated their fair value at the date of exchange and the Convertible Bonds are compound financial instruments of two elements, liability component and equity component. The fair value of the liability component of the Convertible Bonds is estimated using the discounted cash flow approach at the prevailing market rate of approximately 1.62%. The fair value of the equity component of the Convertible Bonds is represented by the residual amount after taking out the liability component. At the date of exchange, an amount of approximately HK$125,836,000 is credited as the liability component of the Convertible Bonds. The amount of approximately HK$10,528,000, representing the difference between approximately HK$136,364,000, being the face value of the Convertible Bonds and the liability component of the Convertible Bonds is recorded as the fair value of the equity component of the Convertible Bonds;

(iii) the face value of the Promissory Note approximated its fair value at the date of exchange; and

(iv) the estimated costs directly attributable to the Acquisition of approximately HK$2,800,000 were paid by the Group from internal resources of the Group on 31 March 2009.

Since the actual dates of settlement of the Consideration and the estimated costs directly attributable to the Acquisition would be different from the assumptions used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual financial position arising from the Acquisition might be materially different from the financial position as shown in this Appendix.

3.2 The adjustment reflects the payment of the estimated costs directly attributable to the Acquisition of approximately HK$2,800,000 by the Group from its internal resources.

3.3 The adjustment reflects the capital contribution made by the Vendor (on behalf of the Target HK) of approximately RMB1,040,000 (equivalent to approximately HK$1,190,000) to the Target PRC.

3.4 The adjustment reflects the acquisition of Sale Loan (being all obligations, liabilities and debts owing or incurred by Target BVI to the Vendor on or at any time prior to the Completion), as if the Acquisition had been completed at the date reported on.

3.5 The adjustment reflects:

(i) elimination of the share capital and pre-acquisition reserves of the Target Group, as if the Acquisition had been completed at the date reported on; and

(ii) recognition of 35% minority interests of the Target PRC.

For the purpose of the preparation of the unaudited pro forma consolidated balance sheet, it has been assumed that:

(i) the fair value of the identifiable assets and liabilities of the Target BVI as at 31 March 2009 approximated their carrying amounts as shown in the accountants' report set out in Appendix IIA;

(ii) the fair value of the identifiable assets and liabilities of the Target HK as at 31 March 2009 approximated their carrying amounts as shown in the accountants' report set out in Appendix IIB;

(iii) The registered capital of the Target PRC had been fully contributed at the date reported on.

(iv) except for the exploration and evaluation assets as mentioned in note (v) below, the fair value of the identifiable assets and liabilities of the Target PRC as at 31 March 2009 approximated their carrying amounts as shown in the accountants' report set out in Appendix IIC.

(v) there is an adjustment of fair value of the exploration and evaluation assets of the Target PRC of approximately HK$634,664,000, which represented the sum of (i) the total costs of the Acquisition (being the final Consideration of approximately HK$409,091,000 and the estimated costs directly attributable to the Acquisition of approximately HK$2,800,000); and (ii) the 35% minority interests of the Target PRC of approximately HK$224,333,000, less (i) the Sale Loan of approximately HK$1,219,000; and (ii) the net fair value of the identifiable assets and liabilities of the Target Group recognized. The amount of the 35% minority interests of the Target PRC of approximately HK$224,333,000 had been calculated at the 35% interest in the net fair value of the identifiable assets and liabilities of the Target PRC acquired (after taking into account of the adjustment of fair value of the Target PRC's exploration and evaluation assets of approximately HK$634,664,000 and the assumption that additional registered capital of an aggregated amount of approximately HK$5,920,000 had been fully contributed).

On Completion, the fair value of the Consideration and the net identifiable assets and liabilities of the Target Group will have to be assessed. Since the actual fair values of the assets, liabilities and contingent liabilities of the Target Group on Completion would be different from their estimated fair values used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual financial position arising from the Acquisition might be materially different from the financial position as shown in this Appendix.

4. PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group as if the Acquisition had been completed at the commencement of the period reported on. The unaudited pro forma consolidated cash flow statement has been prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2009 as set out in Appendix I to this circular and the audited cash flow statements of the Target BVI, the Target HK and the Target PRC for the year/period ended 31 December 2008 as set out in Appendix IIA, IIB and IIC to this circular respectively, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated cash flow statement has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 March 2009 or any future periods.

	The Group for the year ended 31 March 2009	The Target BVI for the year ended 31 December 2008	The Target HK for the period ended 31 December 2008	The Target PRC for the year ended 31 December 2008		Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Notes 2.1 & 2.2	*Note 4.1*	*Note 4.2*	
Operating activities								
Loss before tax	(9,607)	(16)	(6)	(91)	(6,606)			(16,326)
Adjustments for:								
Finance costs	40	–	–	–	6,606			6,646
Interest income	(1,321)	–	–	(1)				(1,322)
Depreciation	293	–	–	–				293
Equity-settled share-based payments expenses	1,560	–	–	–				1,560
Operating cash flows before movements in working capital	(9,035)	(16)	(6)	(92)				(9,149)
Trade and other receivables	(59,167)	–	–	(1)				(59,168)
Amount due from a shareholder	–	–	–	73				73
Amounts due from minority shareholders	733	–	–	–				733
Amount due to a director	–	16	7	–				23
Amount due to a shareholder	–	–	–	11				11
Trade and other payables	15,562	–	–	3				15,565
Cash (used in)/ generated by operations	(51,907)	–	1	(6)				(51,912)
Interest received	1,321	–	–	1				1,322
Net cash (used in)/ generated by operating activities	(50,586)	–	1	(5)				(50,590)

	The Group for the year ended 31 March 2009	The Target BVI for the year ended 31 December 2008	The Target HK for the period ended 31 December 2008	The Target PRC for the year ended 31 December 2008		Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Notes 2.1 & 2.2	*Note 4.1*	*Note 4.2*	
Investing activities								
Payment of the estimated costs directly attributable to the Acquisition	–	–	–	–		(2,800)		(2,800)
Cash and cash equivalents of the Target Group acquired	–	–	–	–			443	443
Purchase of property, plant and equipment	(29)	–	–	–				(29)
Exploration and evaluation costs paid	–	–	–	(327)				(327)
Net cash used in investing activities	(29)	–	–	(327)				(2,713)
Financing activities								
Proceeds from issue of ordinary shares	9,123	–	–	–				9,123
Capital repayment of hire purchase obligations	(186)	–	–	–				(186)
Interest paid	(40)	–	–	–	(4,091)			(4,131)
Net cash generated by financing activities	8,897	–	–	–				4,806
Net (decrease)/increase in cash and cash equivalents	(41,718)	–	1	(332)				(48,497)
Cash and cash equivalents at the beginning of the financial year/period	270,413	–	–	443			(443)	270,413
Effect of foreign exchange rate changes	1,537	–	–	31				1,568
Cash and cash equivalents at the end of the financial year/period	230,232	–	1	142				223,484

Notes to the unaudited pro forma consolidated cash flow statement of the Enlarged Group:

4.1 The adjustment reflects the payment of the estimated costs directly attributable to the Acquisition of approximately HK$2,800,000 by the Group from its internal resources. This adjustment is not expected to have a continuing effect on the Enlarged Group.

4.2 The adjustment is made to show the opening balance of cash and cash equivalents of the Target Group acquired of approximately HK$443,000 as part of the cash flow effect from the Acquisition under investing activities, as if the Acquisition had been completed at the commencement of the period reported on. This adjustment is not expected to have a continuing effect on the Enlarged Group.

Since the actual dates of payment of the cash consideration for the Acquisition and the estimated costs directly attributable to the Acquisition would be different from the assumptions used in the preparation of the unaudited pro forma consolidated cash flow statement presented above, the actual timing of cash flows arising from the Acquisition might be materially different from the timing of cash flows as shown in this Appendix.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

31 August 2009

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

Dear Sirs,

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

We report on the unaudited pro forma financial information of Sino Prosper Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), and Nice Think Group Limited (the "Target BVI") and its subsidiaries (hereinafter collectively referred to as the "Enlarged Group"), comprising the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Enlarged Group (the "Pro Forma Financial Information"), as set out in Section A entitled "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of the Company's circular dated 31 August 2009 (the "Circular"). The Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition by the Company of the entire issued share capital of the Target BVI, and all the obligation, liabilities and debts owing or incurred by the Target BVI to the vendor, Mr. Leung Ngai Man (the "Vendor"), a director and a substantial shareholder of the Company, might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out in Section A of Appendix III of the Circular.

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

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2009 or any future date; or

- the results or cash flows of the Enlarged Group for the year ended 31 March 2009 or any future periods.

Opinion

In our opinion:

a. the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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

Technical Assessment on
Paoshouyingdongshan,
Dumuheshangyou and 290 Gaodi Gold
Projects in Heilongjiang Province,
People's Republic of China

for

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31 August 2009

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Peer Reviewed by: Dr Anson Xu

EXECUTIVE SUMMARY

Summary of principal objectives

Sino Prosper Holdings Limited ("Sino Prosper", or "the Company") commissioned SRK Consulting China Limited ("SRK") to undertake an independent technical assessment report on geology and mineral resource potential of the Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi gold projects in Hulin County of Heilongjiang Province, People's Republic of China ("PRC"). The three gold projects are wholly owned by Heilongjiang Zhongyi-Weiye Economy and Trade Co. Limited ("Zhongyi-Weiye"). The principle objective of this Report is to provide existing Sino Prosper shareholders and The Stock Exchange of Hong Kong Limited ("HKEx") with an Independent Expert Report suitable for inclusion in documents that the Company plans to submit to HKEx in relation to a proposed acquisition.

Outline of work program

The work program involved three phases:

- Phase 1: conduct a desktop review of available information provided by Sino Prosper and Zhongyi-Weiye;
- Phase 2: travel to Zhongyi-Weiye prospects, inspection of exploration permit area, interview with related staff of the Zhongyi-Weiye, and collection and review of documents provided to SRK; and
- Phase 3: analysis of the provided data, completion of a draft report, copy to the client and finalise the report.

Results

Overall

Three exploration permits currently held by Zhongyi-Weiye include the Paoshouyingdongshan, Dumuheshangyou, and 290 Gaodi gold and polymetallic prospects, covering a total area of 196.31km2. Zhongyi-Weiye gold and ploymetals project is about 120km north of Hulin County town, or approximately 320km east of Jiamusi City, Heilongjiang Province, PRC. The property areas can be easily accessed.

Zhongyi-Weiye project is still in its early stage of exploration. The exploration programs conducted by Zhongyi-Weiye are mainly geological, geochemical and remote sensing surveys. Based on these programs, more than 10 gold and ploymetals geochemical anomalous areas are delineated and 6 remote sensing anomalous areas are defined at the three exploration tenements. The six remote sensing anomalous areas match well with the geochemical anomalous areas. Samples were collected randomly from the 6 anomaly areas and assay results are very encouraging. Based on the anomaly length, width and inferred depth of the 6 gold anomalous zones and the sample assay results, Guangzhou Geochemistry Institute of Chinese Academy of Science (GGICAS) estimated prematurely gold prospecting resource of 20.88 tonnes (t).

Geology

Geotectonically, the project is located in the southern margin of Wandashan (Indo-Chinese epoch) Fold Belt in East China tectonic plate. The fold belt trends nearly south-northerly. This district had undergone a long geological evolution, and volcanism and magmatism are well developed with complicated geological structures in this region. Especially, the strong magmatism in the Early and Middle Mesozoic provides thermal source for copper (Cu)-nickel (Ni) and polymetallic mineralization.

Regionally, the project is located the Wandashan polymetallic mineralization zone; it belongs to the gold mineralization belt of East Heilongjiang Mining and Economic District. There are a number of mineral deposits, such as the large-type Huanan gold placer mine Tuanjiegou porphyritic copper mine, the vein-type Laozhashan gold deposit, and the Shuangyashan iron deposit and Xiaosilin lead-zinc deposit. The known middle-size Sipingshan gold mine is located just between the Dumuheshangyou and 290 Gaodi exploration tenements. The characteristics of geology and gold mineralization are very similar.

Mineralisation

The matched geochemical and remote sensing anomalies show that the gold and polymetallic mineralisation occurs within the Triassic siliceous slate and silicalite strata. Based on the site observations of outcrops and drill cores, and information provided by the Company, the mineralisation types are siliceous breccia with interbeded quartz veins within structural fracture zones. The mineralised fracture zones trend north-easterly with locally swelling and pinching. The ore minerals are mainly pyrite and limonite with less chalcopyrite, sphalerite and galena. Gangue minerals are quartz, micas and kaolin.

Resource and Reserve Estimates

All the property is already under an exploration stage and there are no mineral resource estimates so far. SRK was informed that the mineral resource/reserve estimation, following the Chinese Resource Category System, will be carried out after completion of further exploration programs.

Samples collected at surface outcrops from the three exploration tenements, and the assay results are encouraging. At the Paoshouyingdongshan exploration tenement, the gold grades of 15 samples range from 0.10g/t to 0.81g/t, with an average and median of 0.51g/t and 0.55g/t, respectively. For the Dumuheshangyou property, the gold grades of 10 samples range from 0.27g/t to 0.88g/t, with both average and median of 0.62g/t. At the 290 Gaodi property, 9 samples assayed return gold results ranging from 0.10g/t to 1.50g/t, with an average and median values of 0.64g/t and 0.57g/t, respectively. These imply there is great potential of gold and ploymetals resources at the exploration tenements.

To test the gold mineralisation at depth for the three exploration tenements, three drill holes were conducted. The drill holes intersect the gold mineralisation zones of siliceous and graphitic slates. Currently, the assay results show that the drill hole ZKD1 intersects three mineralisation zones at the Dumuheshangyou from 8.3m to 54.5m (average grade 0.60g/t Au), 95m to 115m (average grade 0.55g/t Au), and 145m to 188m (average grade 0.53g/t Au), respectively. The drill hole ZKG1 also intersects one gold mineralisation zone at the 290 Gaodi from 15m to 86m with an average of 0.70g/t. The ZKP1 drill core samples at the Paoshouyingdongshan show the gold grades range generally from 0.01g/t to 0.08g/t, which are below the cut-off grade of 0.30g/t.

Based on the anomalous length, width and inferred depth of mineralized zones shown on the remote sensing maps, GGICAS conducted premature gold resource estimates. Paoshouyingdongshan, Dumuheshangyou, and 290 Gaodi exploration properties have gold prospecting resources of 5.59t, 10.07t, and 5.21t, respectively. SRK should emphasize that the resource statement is only possible mineral resource prediction and that it should be used with caution. It is of SRK's opinion that, prior to have a resource statement of the properties, much more exploration programs, such as trenches and drill holes with detailed sampling, are needed to control the length, width and depth of each mineralized zone/body.

Recommendations for Further Exploration

The Zhongyi-Weiye gold and ploymetals project is still in its early stage of exploration. Previous geological, geochemical and remote sensing exploration work at 1:25,000 scale have delineated geochemical and remote sensing anomalous areas at the three exploration tenements. Assay results of samples collected from these properties warrant further exploration.

SRK recommend that trenching explorations with detailed samples are needed to carry out at the delineated anomalous areas at scale of 1:2000 scale following the mineralised fracture zones. The trenching engineering will not only control the spatial distribution of mineralised bodies and provide information for drill holes design, but also better understand the mineralisation characteristics.

Upon the satisfied results from surface exploration, it is recommended that drillings and tunnelling are continued in the purpose to investigate continuation of already discovered mineralized zones and to discover new ones, however these works should be preceded by carefully planned and executed geophysical survey which combined with geochemistry could more precisely indicate the targets.

The drillings and tunnelling should in the manner which allows issuing appropriate maps and cross sections through mineralized zones eventually to produce 3D models and result with mineral resources estimation.

The appropriate QA/QC protocol should be implemented and strictly observed both at the exploration site as well in assigned laboratories. The periodical reports on QA/QC protocol should be issued and available for independent consulting.

Upon the success of the exploration program, a resource estimation and maybe feasibility study may be conducted to evaluate the properties for possible development and/or further exploration.

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DISCLAIMER

The opinions expressed in this report have been based on the information supplied to SRK Consulting China Limited ("SRK") by Zhongyi Weiye Economic and Trade (Heilongjiang) Co. Limited. The opinions in this report are provided in response to a specific request from Sino Prosper Holdings Limited. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

Opinions presented in this report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this report, about which SRK have had no prior knowledge nor had the opportunity to evaluate.

1 INTRODUCTION

Sino Prosper Holdings Limited ("Sino Prosper" or "the Company") is a public company listed on the Stock Exchange of Hong Kong Limited ("HKEx"). The Company is considering the acquisition of whole ownership of the three gold projects from Heilongjiang Zhongyi-Weiye Economic and Trade Co. Ltd ("Zhongyi-Weiye"). SRK Consulting China Limited ("SRK") was retained to undertake an independent technical assessment report on the geology and resources and resource potential of the Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi gold-polymetallic exploration tenements in Hulin County of Heilongjiang Province, People's Republic of China ("PRC"). SRK was required to provide an Independent Technical Assessment Report ("Report") to the HKEx and the shareholders of Sino Prosper.

2 BACKGROUND AND BRIEF

2.1 Background of the Project

Sino Prosper commissioned SRK to review and report the Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi gold-polymetallic exploration tenements in Hulin County of Heilongjiang Province, PRC. The three gold-polymetallic projects are wholly owned by Zhongyi-Weiye. Copies of the original exploration tenements are shown in Appendix 1.

2.2 Scope of Work

The scope of work included SRK travelling to the property site and visiting the three gold prospects in north of Hulin County of Heilongjiang Province, PRC, and preparing a report suitable for Sino Prosper's acquisition of the gold-polymetallic projects. This report focuses on geology and resources and resource potential of the three gold-polymetallic deposits.

3 PROGRAM OBJECTIVES AND WORK PROGRAM

3.1 Program Objectives

The principal objective of this report is to provide existing Sino Prosper existing shareholders and the HKEx with an Independent Technical Assessment Report suitable for inclusion in documents that Sino Prosper plans to submit to the HKEx in relation to the proposed acquisition. The SRK report is proposed to provide the HKEx and existing and potential shareholders in Sino Prosper with an Independent Expert Report which provides an unbiased technical assessment of risk and opportunities associated with the project.

3.2 Reporting Standard

This Report has been prepared to the standard of and is considered by SRK to be a Technical Assessment Report under the guidelines of the Valmin Code. The Valmin Code is the code adopted by the Australasian Institute of Mining and Metallurgy and incorporates the Joint Ore Reserves Committee ("JORC") Code for the reporting of Mineral Resources and Ore Reserves. The standard is binding upon all and is binding upon all Australasian Institute of Mining and Metallurgy ("AusIMM") members.

This Report is not a valuation report and does not express an opinion as to the value of mineral asset. Resources reported in this document are not classified according to the JORC code and have been reported against the relevant Chinese classification system. SRK does not express an opinion regarding the specific value of asset and tenement involved.

3.3 Limitations Statement

SRK is not professionally qualified to opine upon and/or confirm that Zhongyi Weiye Economic and Trade Co. Ltd. have 100% control of the underlying tenements and/or have any unresolved legal matters relating to any transfer of ownership or associated fees and royalties. SRK has therefore assumed that no legal impediments regarding the relevant tenements exist and that the company named above has legal rights to all underlying tenements as purported. Assessing the legal tenure and right to prospects of the above company is the responsibility of legal due diligence conducted by entities other than SRK.

3.4 Work Program

The work program consisted of a review of data provided by Zhongyi-weiye and Sino Prosper, travel to the project site in Hulin County in Heilongjiang Province, PRC; inspection of the Zhongyi-Weiye's property, including field observations, interviews with the representatives of the Company and exploration staff, analysis of the data provided, and preparation of this Report, which was provided to the Company as a draft for review of factual content. SRK will finalise the report after feedback and comments have been considered.

3.5 Project Team

The SRK project team, title and responsibility within this Report are shown in Table 3-1.

Table 3-1: SRK Project Team

Consultant	Title and Responsibility
Dr Yiefei Jia	Principal Consultant, geology, exploration and resource estimates, and report compilation.
Changchun Wang	Senior Geologist, assisting geological date collection and report compilation.
Dr Anson Xu	Principal Consultant, peer review and quality control.

Dr Yiefei Jia, ***PhD, MAusIMM***, is a principal consultant (geology) with a specialty of exploration of mineral deposits. He has more than 18 years experience in the field of exploration, development, and resources estimate of precious (gold, sliver, and PGE) and base metal (lead, zinc, copper, vanadium, titanium, and iron as well as other metal ore deposits in different geological settings in China, Australia, and North America. He also has essential skills including exploration project management and design; petrological and geochemical analysis; lithological and geotechnical logging; and scientific research. He has recently completed several technical review projects including Stock Exchange of Hong Kong (HKEx) technical reports. Dr is the project manager.

Changchun Wang, ***B.S.*****, is a senior consultant** (Geology and Mineral Resource) of SRK Consulting China. Mr. Wang graduated from Changchun College of Geology in January 1982. Since then he has worked at the Gold Geological Survey Center of Jilin Provincial Bureau of Geology and Mineral Resource, and Jilin Geological and Scientific Research Centre. During this period, he has been involved in many exploration and prospecting projects, including metallic mines and non-metallic mines. He has gained abundant experience over 20 years on geological exploration, prospecting, and scientific research. Mr. Wang will assist Dr Jia in site visits and preparation of the geological and resources sections of this report.

Dr Anson Xu, ***PhD, MAusIMM***, is a principal consultant with a specialty in exploration of mineral deposits. He has more than 20 years experience in exploration and development of various types of mineral deposits including copper-nickel sulphide deposits related to ultrabasic rocks, tungsten and tin deposits, diamond deposits, and in particular, various types of gold deposits, vein-type, fracture-breccia zone type, alteration type, Carlin type. He was responsible for resource estimations of several diamond deposits, and review of resource estimations of several gold deposits. He has recently completed several due diligence jobs for clients in China, including gold, silver, lead-zinc, iron, bauxite, and copper projects, and several technical review projects, as well as HKEx technical reports. Dr Xu provided peer review to ensure the quality control of the report.

3.6 Statement of SRK Independence

Neither SRK nor any of the Report authors have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Sino Prosper or Zhongyi-Weiye in regard to the mineral assets that are the subject of this Report. SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. Payment of that professional fee is not contingent upon the outcome of this report.

3.7 Warranties

Sino Prosper and Zhongyi-Weiye have warranted to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true. SRK has no reason to doubt this representation.

3.8 SRK Experience

SRK Consulting is an independent, international consulting group with extensive experience in preparing independent technical reports for various stock exchanges around the world. SRK is a one-stop consultancy offering specialist services to mining and exploration companies for the entire life cycle of a mining project, from exploration through to mine closure. Among SRK's more than 1,500 clients are most of the world's major and medium-sized metal and industrial mineral mining houses, exploration companies, banks, petroleum exploration companies, agribusiness companies, construction firms and government departments.

Formed in Johannesburg, South Africa, in 1974 SRK now employs more than 900 professionals internationally in 35 permanent offices on six continents. A broad range of internationally recognized associate consultants complements the core staff.

SRK Consulting employs leading specialists in each field of science and engineering. Its seamless integration of services, and global base, has made the company a world's leading practice in due diligence, feasibility studies and confidential internal reviews.

The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgement issues.

SRK China was established in early 2005, and is mainly working on Chinese mining projects independently or together with SRK's other offices, mainly SRK Australasia. We have prepared dozens of independent technical reports on mining projects for various companies who acquired Chinese projects or went public listings on overseas stock exchanges with a summary list as showing in Table 3-2.

Table 3-2: Recent Reports by SRK for Chinese Companies

Yanzhou Coal Limited (company listed on the Stock Exchange of Hong Kong Limited)	2000	Sale of Jining III coal mine by parent company to the listed operating company
Chalco (Aluminium Corporation of China)	2001	Listing on the Stock Exchange of Hong Kong Limited and New York Stock Exchange
Fujian Zijin Gold Mining Company	2004	Listing on the Stock Exchange of Hong Kong Limited
Lingbao Gold Limited	2005	Listing on the Stock Exchange of Hong Kong Limited
Yue Da Holdings Limited (company listed on the Stock Exchange of Hong Kong Limited)	2006	Proposed acquisition of shareholding in mining projects in PRC
China Coal Energy Company Limited (China Coal)	2006	Listing on the Stock Exchange of Hong Kong Limited
Sino Gold Mining Limited	2007	Dual listing on the Stock Exchange of Hong Kong Limited
Xinjiang Xinxin Mining Industry Company Limited	2007	Listing on the Stock Exchange of Hong Kong Limited
Espco Technology Holdings Limited	2008	A acquisition of shareholding in Tongguan Taizhou Gold-Lead projects in PRC
Hong Kong Nation Resources Limited	2008	Proposed acquisition of shareholding in iron projects Chengde, PRC
Hua Yi Copper Holdings Limited	2008	A acquisition of shareholding in iron projects in Chengde, PRC
Kiu Hung International Holdings Limited	2008	A acquisition of shareholding in coal projects in Inner Mongolia, PRC
China Shenzhou Mining and Resources Inc	2008	Listing (SHZ) on the American Stock Exchange

3.9 Forward Looking Statements

Estimates of mineral resources are inherently forward looking statements. Being projections of future performance, they will differ from actual performance. The errors in such projections result from inherent uncertainties in interpretation of geologic data.

4 LOCATION AND PROPERTIES

4.1 Location and Access

The Zhongyi-Weiye's Project is located approximately 320km east of Jiamusi City, the 4th largest cities in Heilongjiang Province, PRC. Jiamusi airport is serviced by several daily direct flights between Beijing and Jiamusi. The project includes three gold and polymetallic exploration tenements. Administratively, the project area is 120km north of Hulin County town, Heilongjiang Province. The Zhongyi-Weiye property area can be easily accessed via highway (60km) from Jiamusi to Jixian, and then a provincial concrete paved road (S307, 200km) from Jixian to Raohe County, and short local gravel road (60km) from Raohe to the project site (Figure 4-1).

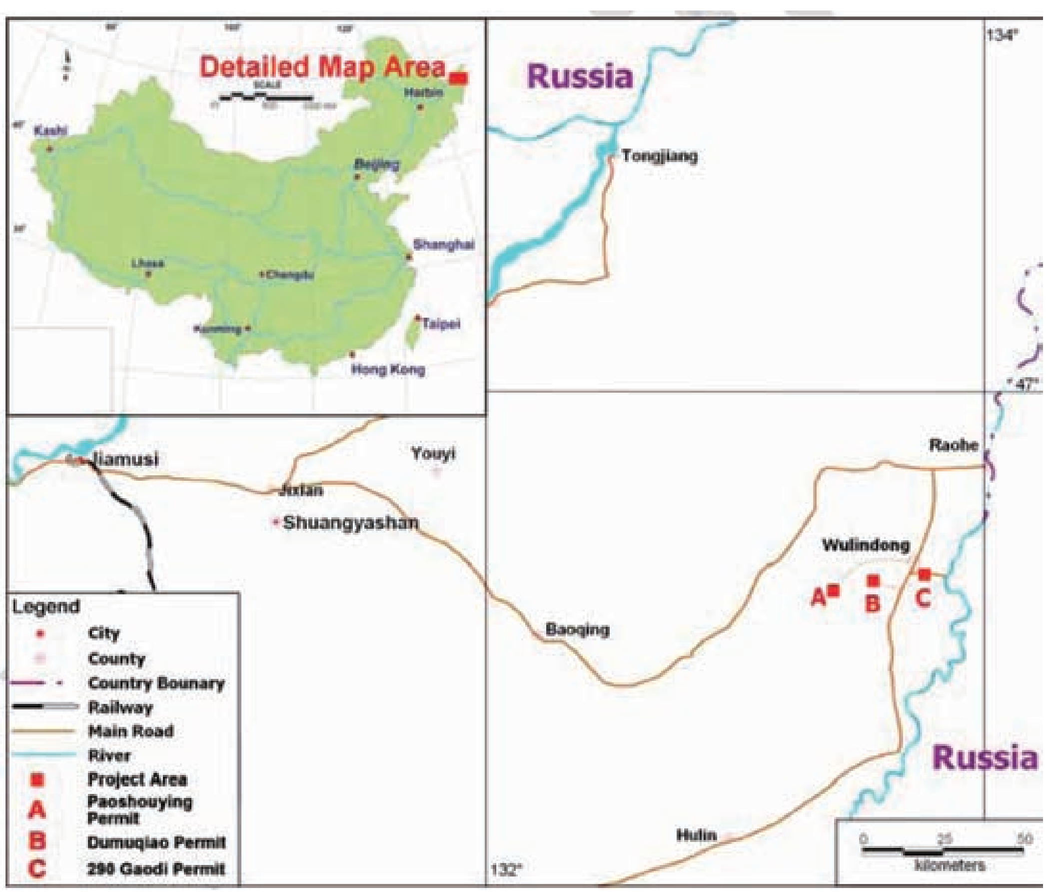


Figure 4-1: General location map

4.2 Climate and Physiography

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

4.3 Economy and Infrastructure

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

4.4 Exploration Tenements

Three exploration permits are currently held by Zhongyi-Weiye. The three exploration tenements include the Paoshouyingdongshan, Dumuheshangyou, and 290 Gaodi gold and polymetallic deposits, covering a total area of 196.31km^2. All property areas are shown in Figure 4-1. Table 4-1 lists the three exploration tenements. SRK has checked the three exploration tenements and copies of original permits provided in Appendix 1.

Table 4-1: Summary of Exploration Tenements

License No.	Property Name	Expire Date	Area (km^2)	Locality
T01120080402000439	Paoshouyingdongshan copper and polymetals	April 16, 2011	94.92	Hulin County
T01120080402000445	Dumuheshangyou copper and polymetals	April 16, 2011	83.02	Hulin County
T01120081102023112	290 Gaodi copper and polymetals	November 5, 2011	18.37	Hulin County

5 GEOLOGICAL AND MINERAL INVENTORY ASSESSMENT

5.1 Data Collection and Methods

SRK assessed the three exploration projects by reviewing sampling, analytical procedures and quality control methods, showing the amount of sampling of drill holes, mapping and geochemical sampling. In SRK's opinion, general exploration techniques which have been used for sampling of the mineralisation are acceptable being of industry standard. These techniques include drilling holes and geological surveying of the exploration project. Samples of mineralisation collected from the exploration projects are assayed internally. The Company proposes to use the most appropriate exploration methods with better assay and record keeping management systems for future exploration works.

5.2 Resource and Categories and Reserve/Resource Estimates

In 1999, the Chinese Government established a new resource category system, the Chinese National Standard for Solid Mineral Resources/Reserves Classification (GB/T17766-1999). This is a three-digit system, where the last digit indicates the geological certainty, 1 stands for measured mineral resource, 2 for indicated mineral resource, 3 for inferred resource and 4 for predicated resource. All the exploration property uses this resource category system. However, this system is different from the criteria used in defining a resource under the JORC code. Comparison between different systems is provided in Appendix 2.

SRK reviewed methods used by the Company to estimate the potential resources of the three gold and polymetallic deposits and is satisfied that Heilongjiang Exploration Institute of Non-ferrous Metals, who is qualified and approved Chinese independent geological consultant, has used methods and procedures complying with Chinese standards for early stage geological exploration. SRK notes the project is already under an exploration stage and there are no mineral resource estimates so far, although the Guangzhou Geochemistry Institute of Chinese Academy of Science conducted premature gold resource estimates. SRK believes that, prior to have a resource statement of the properties, much more exploration programs, such as trenches and drill holes with detailed sampling, are needed to control the length, width and depth of each mineralized zone.

5.3 Sampling, Analytical Method and Quality Control

China has its own system and requirements for quality assurance and quality control (QA/QC) for different stages of exploration of various types of mineral deposits. The Geological Brigade, which has the qualifications for conducting exploration, followed the prescribed procedures for QA/QC, complying with Chinese regulations. However as current Chinese mineral reserve codes or regulations are not fully recognised in Western countries, the QA/QC procedures used at the Company's projects are not necessarily compliant with the JORC code. The main differences between Chinese resource standards and the JORC code are in the areas of sampling and assaying. The JORC code is stricter on drill core recovery, the qualification of the assaying laboratory and insertions of control samples into assaying programs.

5.4 Regional Geology

As shown in Figure 5-1, the Zhongyi-Weiye gold-polymetallic project area is geotectonically located in the southern margin of Wandashan (Indo-Chinese epoch) Fold Belt in East China tectonic plate. The fold belt trends nearly south-northerly. This district had undergone a long geological evolution, as thus volcanism and magmatism are well developed with complicated geological structures in this region. Especially, the strong magmatism in the Early and Middle Mesozoic provides thermal source for copper (Cu)-nickel (Ni) and polymetallic mineralization.

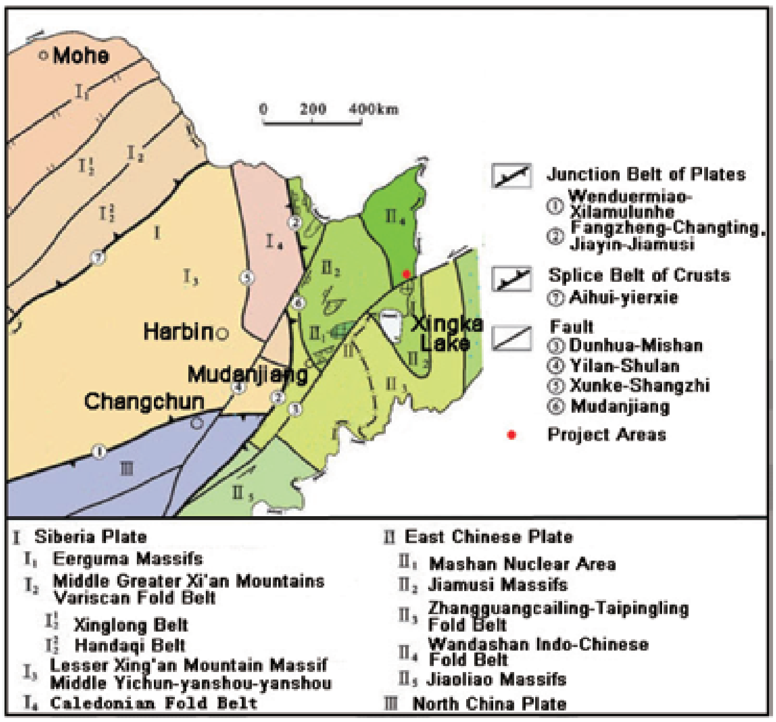


Figure 5-1: Tectonic Setting of Gold-polymetallic Project

The Early Mesozoic (230-180Ma) Triassic and Jurassic slate, siliceous slate and silicalite are the main stratigraphic units; they trend nearly south-northerly. Regionally, the northwest– and northeast-trending faults control the distribution of the Triassic and Jurassic and younger strata (Figure 5-2). The Indo-Chinese epoch magmatic activities are developed and are mainly granodiorite ($\gamma\delta_5^1$) and ultramafic rocks (Σ_5^1) in this region.

The Zhongyi-Weiye project area is located the Wandashan polymetallic mineralization zone. Regionally it belongs to the gold mineralization belt of so-called the "East Heilongjiang Mining and Economic District". There are a number of mineral deposits in the Wandashan mineralization zone, such as the large-type Huanan gold placer mine Tuanjiegou porphyritic Cu mine, the vein-type Laozhashan gold deposit, and the Shuangyashan iron deposit and Xiaosilin lead-zinc deposit. The known middle-type Sipingshan gold mine is located just between the Dumuheshangyou and 290 Gaodi exploration tenements (see Figure 5-2). SRK was informed that the characteristics of geology and gold mineralization are very similar.

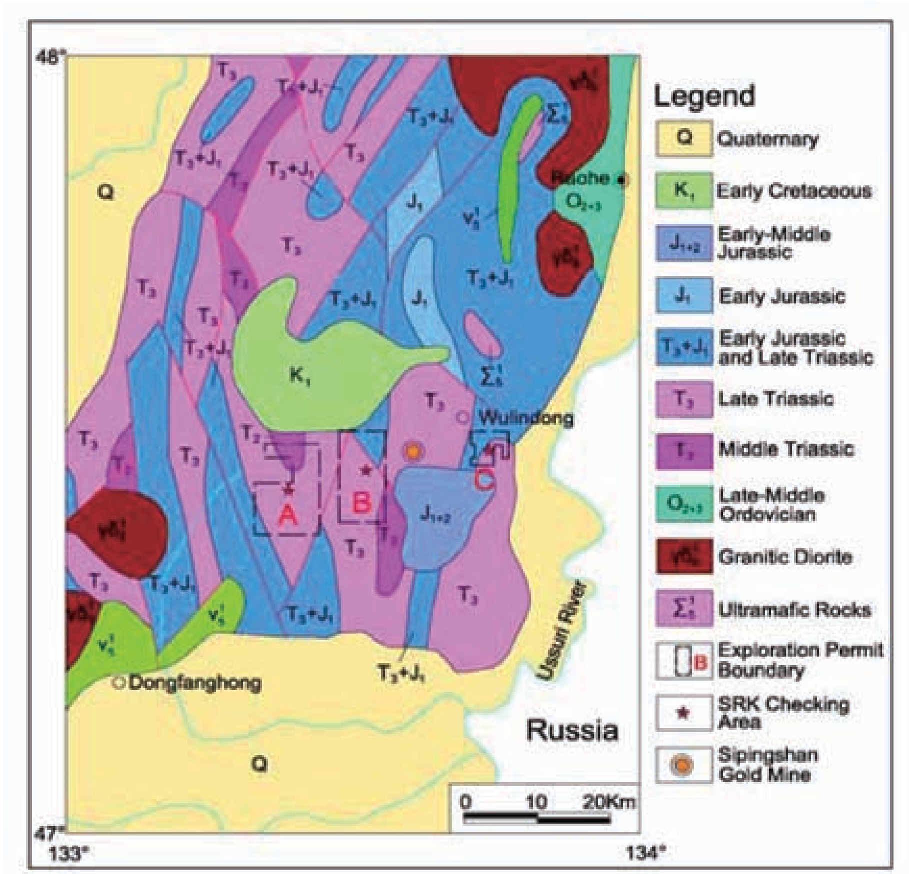


Figure 5-2: Regional Geological Map Showing Three-Property Areas

5.5 Geology of Zhongyi-Weiye Gold Properties

Based on information provided and field observations, the geological characteristics and mineralisation conditions, on the whole, are very similar in the three gold and polymetallic exploration tenements.

5.5.1 Paoshouyingdongshan Exploration Tenement

The area of Paoshouyingdongshan exploration tenement is 94.92km^2. It is defined by 8 vertexes, as shown in Table 5-1.

Table 5-1: Vertex Coordinates of Paoshouyingdongshan Property

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

In the Paoshouyingdongshan exploration tenement area, the stratigraphic units from oldest to youngest are: the Middle to Late Triassic Shibashangdi Formation (T_2-$_3$sh), consisting of bio-relic silicalite; the Late Triassic Dababeishan Formation (T_3d), composed of argillite, siltstone with interbeded silicalite; the Late Triassic Dajiahe Formation (T_3dj), made up of slilicalite with minor slate interlayer; the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d) which consists of mainly sandstone, siltstone, slate with interbeded silicalite, and minor mafic and ultramafic tuff, breccias and lava; and the Quaternary sediments (Figure 5-3).

Faults are main structures spread over the mine area and can be divided into two groups of northwest-and northeast-trending. Intrusions are not developed in the tenement area (see Figure 5-3).

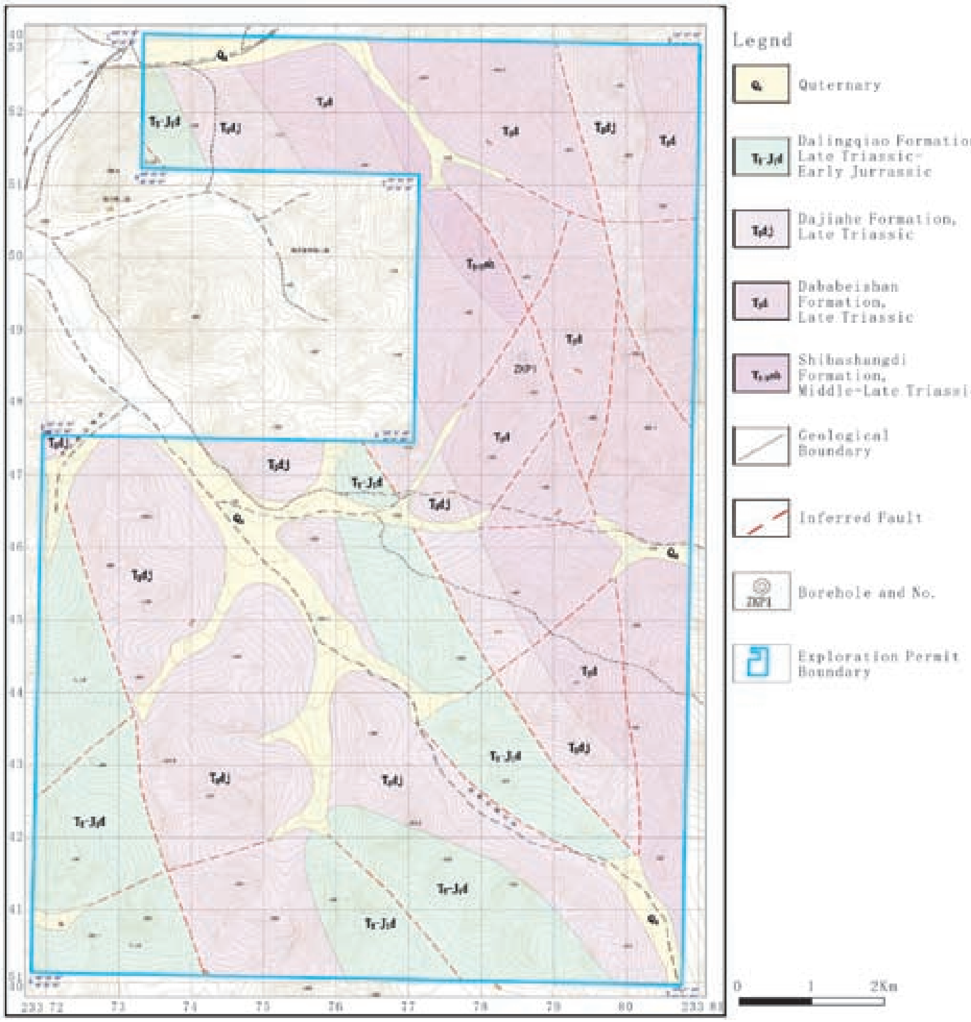


Figure 5-3: Geology of Paoshouyingdongshan Exploration Tenement

5.5.2 Dumuheshangyou Exploration Tenement

The area of Dumuheshangyou exploration tenement is 83.02km^2. It is defined by 4 vertexes, as shown in Table 5-2.

Table 5-2: Vertex Coordinates of Dumuheshangyou Property

Vertex	Longitude	Latitude	Vertex	Longitude	Latitude
1	133° 29’ 00”	46° 31’ 00”	3	133° 34’ 00”	46° 24’ 00”
2	133° 34’ 00”	46° 31’ 00”	4	133° 29’ 30”	46° 24’ 00”

In the Dumuheshangyou exploration tenement area, the main strata are the Late Triassic Dajiahe Formation (T_3dj). The Late-Middle Triassic Shibagoudi Formation (T_{3-2}sh), the Late Triassic Dababeishan Formation (T_3d) and the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d) are locally distributed. The lithologies of these stratigraphic units are similar to those in the Paoshouyingdongshan exploration tenement area. The Early Permian Pikeshan Formation ($\lambda\ \pi K_1$p) consists of felsic volcanics including dacite, rhyolite, and tuff breccia, distributed in the southeast corner of the permit area (Figure 5-4).

There are two groups of faults which are trending northwesterly and northeasterly in the tenement area. Intrusions are not developed (see Figure 5-4).

5.5.3 290 Gaodi Exploration Tenement

The area of 290 Gaodi exploration tenement is 18.37km^2. It is defined by 12 vertexes, as shown in Table 5-3.

Table 5-3: Vertex Coordinates of 290 Gaodi Property

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

The strata are relatively simple in the 290 Gaodi exploration tenement area. The main stratigraphic units are the Late Triassic Dajiahe Formation (T_3dj) and the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d). Both lithologies are similar to the Paoshouyingdongshan and Dumuheshangyou exploration tenements areas. The Middle Jurassic Nandashan Formation (J_2n) consists of felsic volcanics including dacite, rhylite, and tuff breccia (Figure 5-5).

In the exploration tenement area, two faults are measured and trend northwesterly. Intrusions are not developed (see Figure 5-5).

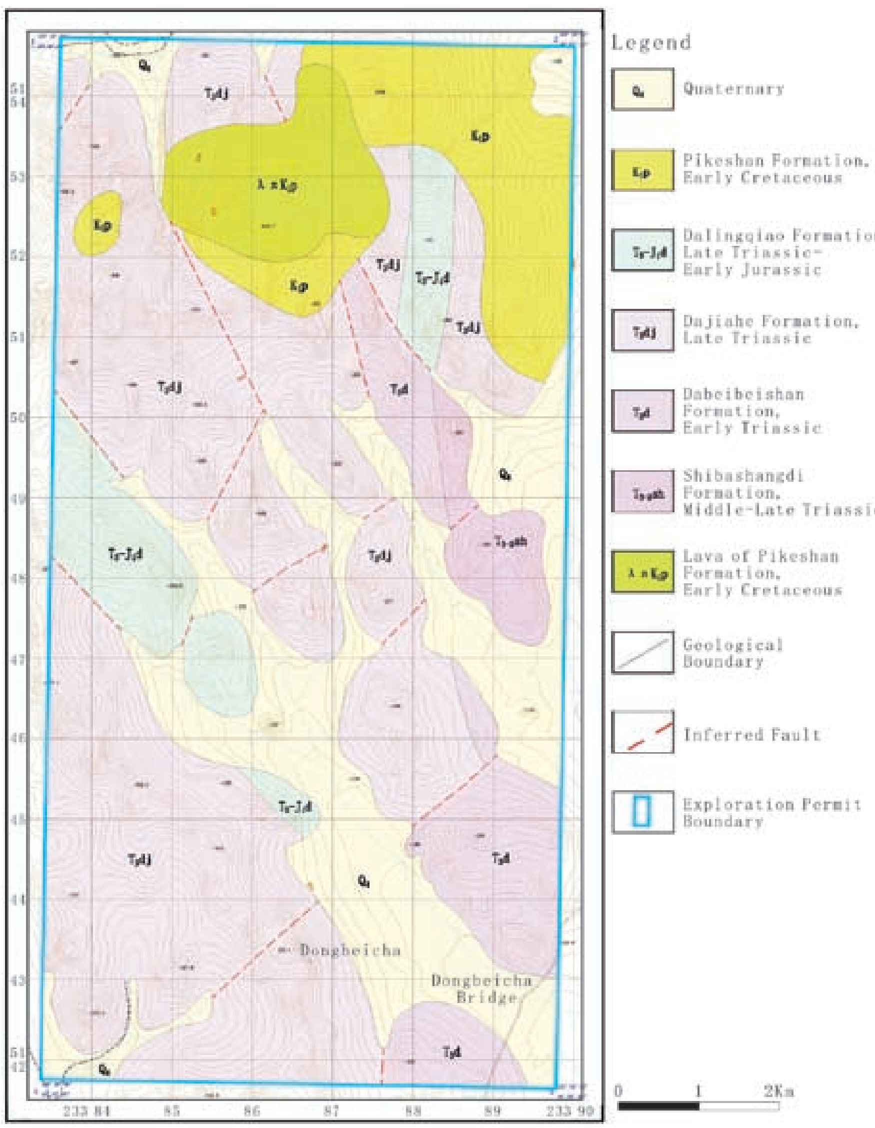


Figure 5-4: Geology of Dumuheshangyou Exploration Tenement

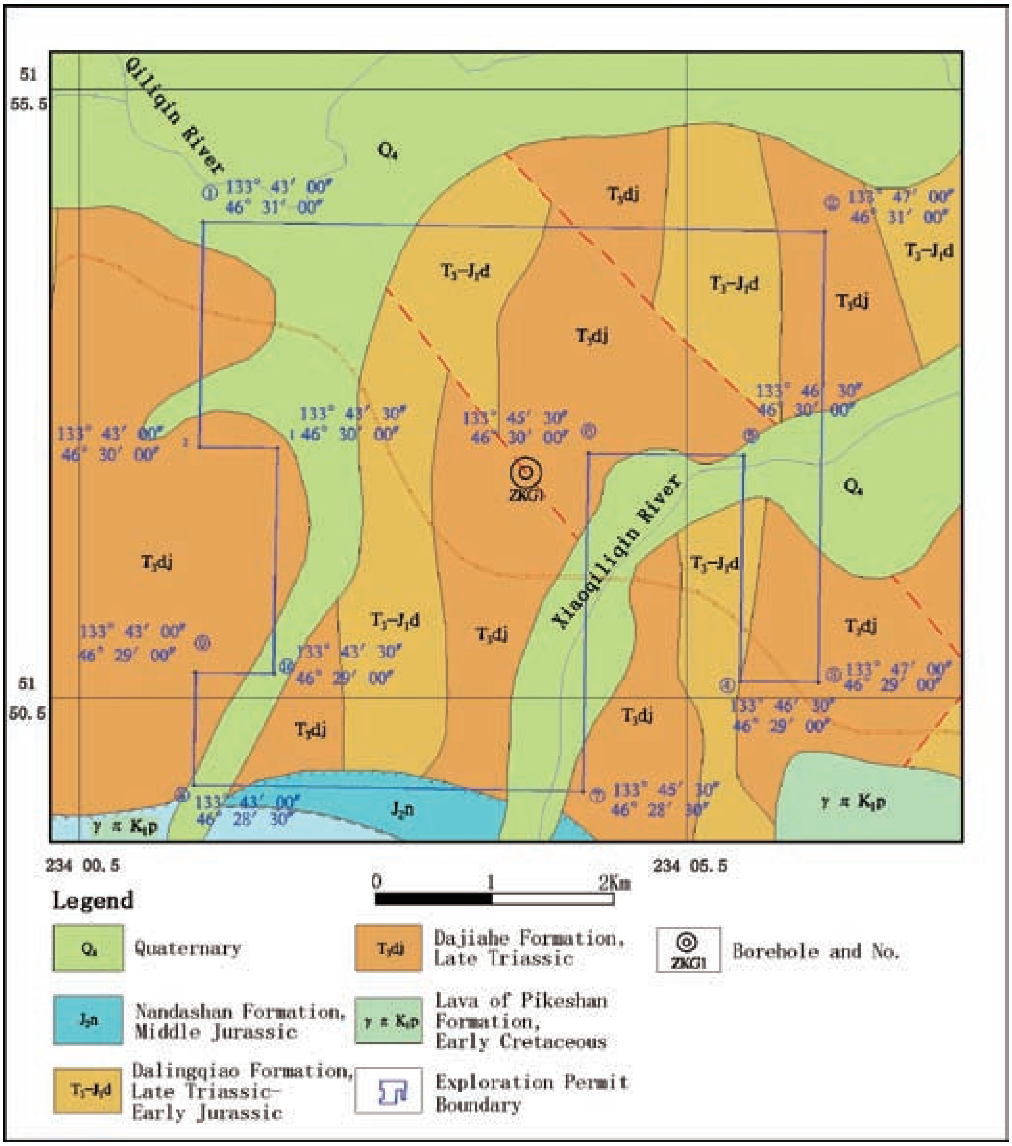


Figure 5-5: Geology of 290 Gaodi Exploration Tenement

5.6 Mineralisation

The mineralisation characteristics of the three exploration properties are similar. Based on the site observation, comparing with the known Sipingshan gold deposit, and information provided by the Company, the mineralisation types are siliceous breccia with interbeded quartz veins within structural fracture zones. According to the feasibility report on Zhongyi-Weiye project development, the mineralised fracture zones trend northeasterly with locally swelling and pinching.

5.6.1 Dumuheshangyou Exploration Tenement

Based on site observation of drill cores (ZKD1) from the Dumuheshangyou exploration tenement, the similar characteristics of both lithology and mineralisation to the known Sipingshan gold deposit were found. The mineralised drill cores consist of siliceous slate, graphite-bearing schist/slate and tuff. The siliceous slate and tuff contain most relatively rounded breccias with sizes of 3 to 10cm in diameters.

The compositions of breccia are quartz porphyry, siliceous slate and tuff (Figure 5-6). The graphite-bearing slate/schist and siliceous slate also contain disseminated pyrite with sizes of about 1.0mm. SRK was informed that the length of this mineralized drill core part is 80m.

Figure 5-6: Drill cores of ZKD1 from Dumuheshangtou Property

During the site visit, the ZKD1 drill is completed. The core recovery rate was estimated at more than 90%. The sample collection is in process. Other drilling programs are planned and all are in progress as well. At present, the size and dimension of mineralised body/bodies can not be controlled and delineated.

5.6.2 290 Gaodi Exploration Tenement

Based on site observation of outcrop and drill cores (ZKG1 and ZKG2) at the 290 Gaodi exploration tenement, the mineralised strata are siliceous slate and silicalite containing disseminated sulphide minerals such as pyrite and minor chalcopyrite. At surface, the limonite mineralised rocks show dark brown colour. SRK was told that this kind rock has gold grade of about 1.0g/t.

SRK collected one sample (H-290-1) and assay result is 0.10g/t Au.

During the site visit, both ZKG1 and ZKG2 drills are still in progress. Currently the size and dimension of mineralised body/bodies can not be controlled and delineated.

5.6.3 Paoshouyingdongshan Exploration Tenement

The mineralised strata, like above two, are siliceous slate and silicalite at the Paoshouyingdongshan exploration tenement. One drill hole (ZKP1) is in process. Currently the size and dimension of mineralised body/bodies can not be controlled and delineated.

5.7 Mineralogy

The Zhongyi-Weiye gold project is still in early stage of exploration. More analytical work should be done to identify the ore and gangue minerals. Based on SRK site observation and comparation with the Sipingshan gold deposit, the top of about 10m deep is oxidized ore and primary ore is down below.

The ore minerals are sulphide minerals of pyrite, chalcopyrite sphalerite and galena, oxidized pyrite showing as limonite, and less native gold. The gangue minerals are quartz, carbonate, chlorite, and other silicate minerals. The ore is characterized by disseminated structure and brecciform texture.

The useful elements are gold and possible other accessory metals. The harmful elements are unclear. The useful and harmful elements will be identified through sample assaying, which will be done soon.

5.8 Sampling, Analytical Methods and Quality Control

5.8.1 Geological and Geochemical Survey with Sampling

Heilongjiang Research Institute of Non-ferrous Metals Exploration conducted exploration at both Paoshouyingdongshan and Dumuheshangyou properties in 2008. The exploration programs are geochemical prospecting including 1:25,000 scale stream sediment survey and soil survey with detailed sampling.

Sample collections were conducted based on the Geochemical Exploration Criterion (DZ/T0011-91) and combination of the geomorphic condition at exploration tenements. The sample weight is more than 200 milligrams (mg). Table 5-4 is listed a summary of exploration workload at both exploration tenements. The analytical results were not provided for SRK review.

Table 5-4: Summary of Exploration Works Completed

Program	Unit	Planned workload	Completed workload	Delineated Anomaly
Paoshouyingdongshan Exploration Tenement				
Stream Hypo-anomaly Survey	km^2	94	94	and Cu: 5; Ag: 4; Sn: 6; As: 1; and other combination: 7
Geological Mapping	km^2	94	94	
Base rock analysis	Sample	50	17	
Dumuheshangyou Exploration Tenement				
Stream Hypo-anomaly Survey	km^2	83	83	Au: 5; Cu: 3; Ag: 2; Sn: 4; W: 8; and Mo: 2
Geological Mapping	km^2	83	83	
Soil Survey and analysis	Sample	2000	1991	
Base rock analysis	Sample	50	39	

5.8.2 Remote Sensing

Guangzhou Geochemistry Institute of Chinese Academy of Science uses the digital data from the United State of America Land and Resources Satellite 5 (Landsat-TM-5 at 1h:43m:21.378s afternoon on 26 August 2007). Based on the digitalisation and analysis of the ENVI-4.6 remote image process system, six gold remote anomalies of Nos. 1, 2, 3, 4, 5, and 6 are achieved (see Figure 5-7). The golden colours with dark red are the geochemical domino offect anomalies of gold and ploymetals.

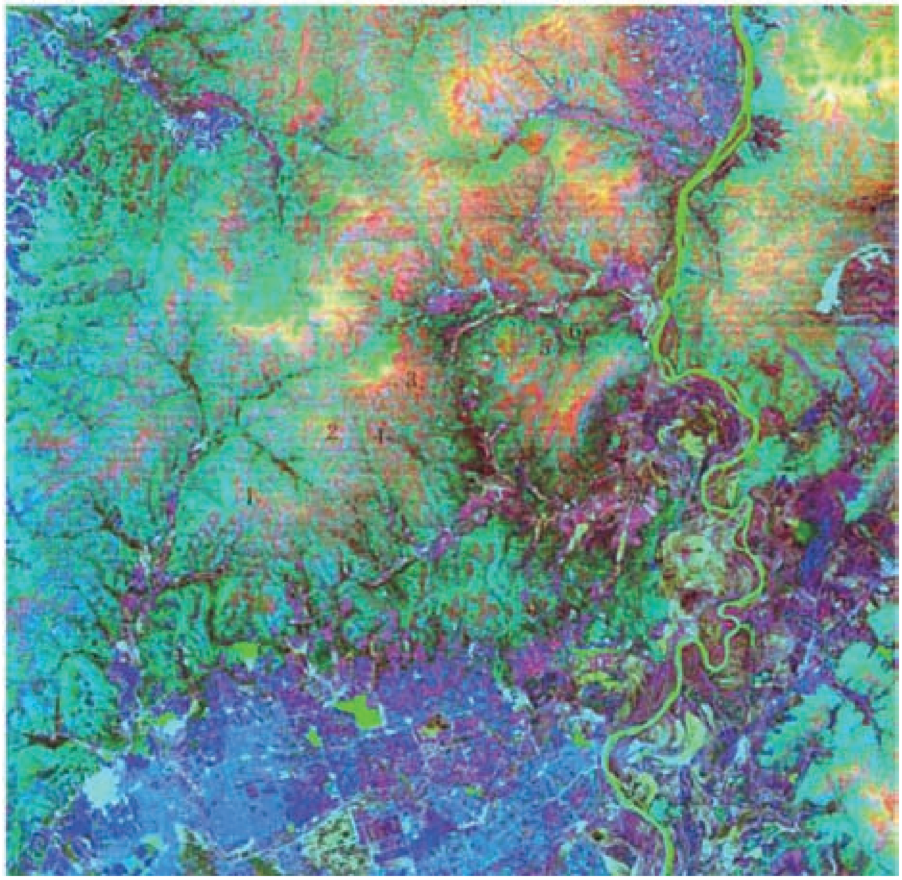


Figure 5-7: Remote Sensing Anomalies at Exploration Tenements (1:50,000 Scale)

Figure 5-7 shows a large half loop (No. 1; 1.1km^2 area) and a small roundlet (No. 2; 0.9km^2 area) of gold and polymetallic geochemical anomalies at the Paoshouyingdongshan exploration tenement, a large half loop and a fan type outside the loop (No. 3; 8km^2 area) and small roundlet (No. 4; 1km^2 area) of gold and polymetallic geochemical anomalies at the Dumuheshangyou exploration tenement, and two small roundlets (No. 5; 0.7km^2 area and No. 6; 1km^2 area) of gold and polymetallic geochemical anomalies at the 290 Gaodi exploration tenement. Totally 6 remote sensing anomalies match the gold geochemical anomalies and each exploration property has two anomalies.

5.8.3 Drilling and Core Sampling

During site visit, Liaoning Geological Exploration Institute, commissioned by Zhongyi-Weiye, is conducting drilling program to test mineralization at depth in the three gold exploration tenements areas. During the site visit, the borehole ZKD1 is completed with a length of 188.27m) at the Dumuheshangyou property. The average core recovery rate is 90%, where the mineralized (sulphide– bearing) core recovery rate is 100%. Other boreholes of ZKG1 and ZKG2 at the 290 Gaodi property and ZKP1 at the Paoshouyingdongshan property are in process. On July 10, 2009 SRK was informed that boreholes of ZKG1 and ZKP1 were completed with length of 94.20m and 101.60m, respectively. The average core recovery rates of the two boreholes are more than 80%.

On site, SRK recommended that the drilling cores should be split to two halves; one half is sent to laboratory for assaying and the other half stored in core boxes for further reference. Generally sample length of mineralized core is about 1.0m. The staffs of Zhongyi-Weiye were accepted SRK's recommendations.

A total of 153 core samples were collected from the three completed boreholes; they include 50 samples from the drill hole ZKD1, 30 sample from the drill hole ZKG1, and 73 samples from the drill hole ZKP1.

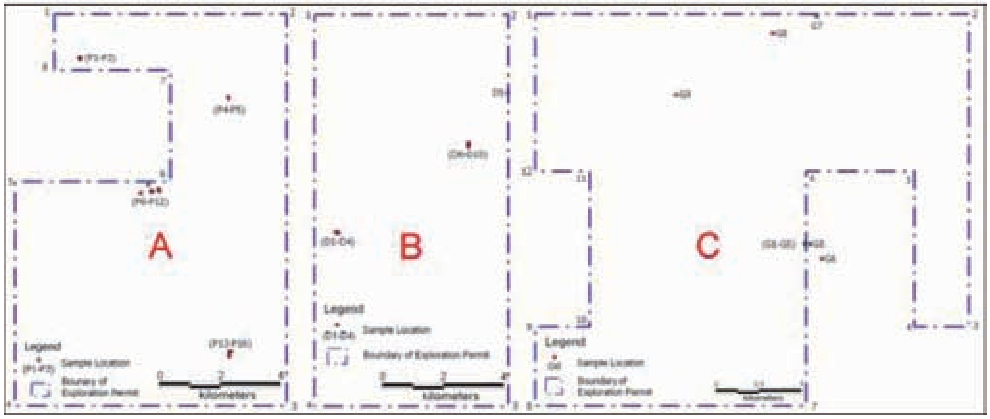
5.8.4 Sample Assaying and Results

All the samples taken from geochemical survey, soil survey and boreholes were analysed following the standard procedures by the Analytical Laboratory of Guangzhou Research Institute of Non-ferrous Metals. The copper, lead, and zinc were assayed using the Inductively Coupled Plasma Atomic Emission Spectrometry (ICP-AES); the silver, molybdenum, and tin were analysed using the Emission Spectrometry (ES); the arsenic, antimony, tungsten, and bismuth were analysed using the Atomic Fluorescence Spectrometry (AFS); the gold was assayed using the Fired Assay (graphite furnace)-Atomic Absorption Spectrometry (AAS). The standards and blanks were also mentioned the exploration reports.

For quality control, 5% of total assayed samples were chosen for internal checking but no samples were selected for external checking. Results of internal checking samples were acceptable. The analytical quality complies with the Chinese National Analytical Standards.

The assay results of core samples (ZKD1) at the Dumuheshangyou exploration tenement show that the gold grades range from 0.10g/t to 2.7g/t, locally with average of 0.60g/t from 8.3m to 54.5m, 0.55g/t from 95m to 115m, 0.53g/t from 145m to 188m of the drill core, respectively. The gold grades of core samples (ZKG1) from the 290 Gaodi Exploration tenement are between 0.28g/t and 1.1g/t with an average of 0.70g/t (from 15m to 86m of the drill core). For the ZKP1 drill core samples at the Paoshouyingdongshan exploration tenement, the gold grades range generally from 0.01g/t to 0.08g/t, which are below the cut-off grade of 0.30g/t. The Assay results are listed in Appendix 3.

During 2008, Zhongyi-Weiye collected 35 samples of surface rocks and soils at the three exploration properties. Sample locations and descriptions are listed in Figure 5-8 and Table 5-5. Samples were sent to the Analytical Laboratory of Guangzhou Research Institute of Non-ferrous Metals for analysis.



Note: A, B, and C represent the Paoshouyingdongshan, Dumuheshangyou, and 290 Gaodi exploration tenements, respectively.

Figure 5-8: Sample Locations at Three Exploration Tenements

Table 5-5: Assay Results of Samples collected from the Three Properties

Sample No	Location		Grade		Description
	Latitude	Longitude	Au (g/t)	Cu (%)	
P1	46°29’12.3”	133°21’39.2”	0.62		Soil
P2	46°29’13.3”	133°21’39.3”	0.68		Soil and cobble
P3	46°29’14.2”	133°21’39.7”	0.66		Soil and weakly metamorphosed basalt
P4	46°28’31.9”	133°25’29.3”	0.21		Transferred rock
P5	46°28’30.2”	133°25’30.1”	<0.10		Dark color quartz, transferred rock
P6	46°26’48.5”	133°23’14.3”	0.78		Dark color quartz, transferred rock
P7	46°26’57.4”	133°23’24.8”	0.81		Dark color quartz, transferred rock
P8	46°26’50.6”	133°23’31.4”	0.46	0.002	Quartz veinlet
P9	46°26’50.0”	133°23’29.7”	0.55 (0.21)		Soil
P10	46°26’52.3”	133°23’41.3”	0.62 (0.56)	0.002	Dark color quartzite

Sample No	Location		Grade		Description
	Latitude	Longitude	Au (g/t)	Cu (%)	
P11	46°26'52.5"	133°23'42.6"	(0.45)		Siliceous and pyritization rock
P12	46°26'50.2"	133°23'14.9"	0.28		Pyritization and sericitization rock
P13	46°23'58.1"	133°25'35.0"	0.55 (0.23)		Dark color soil
P14	46°23'53.7"	133°25'31.7"	0.52 (0.26)		Dark color soil
P15	46°23'53.5"	133°25'30.1"	0.55 (0.32)		Dark color soil
P16	46°23'58.1"	133°25'30.3"	0.30 (0.28)	0.003	Mylonite
D1	46°27'06.3"	133°29'36.2"	0.88 (0.65)	0.002	Dark color quartzite
D2	46°27'06.5"	133°29'36.6"	0.34 (0.38)		Dark color soil
D3	46°27'06.7"	133°29'33.0"	0.90		Dark color soil
D4	46°27'06.9"	133°29'33.3"	0.85 (0.45)	0.003	Dark color quartzite
D5	46°29'37.1"	133°343'59.3"	0.42 (0.25)	0.001	Andestic porphyry
D6	46°28'40.0"	133°32'57.2"	0.27 (0.18)		Dark color soil
D7	46°28'39.4"	133°32'57.8"	0.62	0.014	Dark color quartzite
D8	46°28'42.6"	133°32'57.4"	0.69 (0.56)		Mudstone
D9	46°28'43.0"	133°32'58.1"	0.58	0.004	Dark color quartzite
D10	46°28'43.4"	133°32'58.3"	0.62	0.001	Dark color quartzite
G1	46°29'32.0"	133°45'29.0"	0.84 (0.57)	0.004	Red color, siliceous breccias

Sample No	Location		Grade		Description
	Latitude	Longitude	Au (g/t)	Cu (%)	
G2	46°29'32.1"	133°45'29.1"	0.88 (0.62)		Dark color, siliceous breccias
G3	46°29'32.2"	133°45'29.1"	1.5 (0.98)		Altered, siliceous breccias
G4	46°29'32.1"	133°45'32.0"	0.41 (0.20)		Dark color soil
G5	46°29'32.0"	133°45'32.1"	0.94 (0.76)		Dark brown quartzite
G6	46°29'26.3"	133°45'38.5"	0.57 (0.55)		Sandstone
G7	46°30'59.4"	133°45'35.9"	0.45 (0.22)	0.001	Dark color quartzite
G8	46°30'52.6"	133°45'11.4"	<0.10 (<0.10)		Dark color quartzite
G9	46°30'29.5"	133°44'17.9"	<0.10 (0.11)		Dark color quartzite
S1	46°29'34.6"	133°38'14.9"	0.64		Dark color quartzite
S2	46°29'30.8"	133°38'14.3"	1.40	0.003	Siliceous breccias in fractured zone

Note: Samples (P1-P15) from Paoshouyingdongshan exploration property, samples (D1-D10) from Dumuheshangyou exploration property, samples (G1-G9) from 290 Gaodi exploration property, and samples (S1-S2) from the Known Sipingshan gold mine. Numbers in parentheses represent the assay results of external checking samples.

5.9 Resource Estimation

Up to date no resource estimation was performed for the three exploration properties. SRK was informed that after additional planned exploration programs (i.e. boreholes) are completed the mineral resources will be estimated according to the Chinese system for categorization of mineral resources and ore reserves.

According to information received, at the Paoshouyingdongshan exploration tenement, 15 samples including soil and base rocks were collected from surface outcrops. The gold grades of these samples range from 0.10g/t to 0.81g/t, with an average and median of 0.51g/t and 0.55g/t, respectively. For the Dumuheshangyou property, 10 samples were taken from surface outcrops and sample lithologies are similar to the Paoshouyingdongshan property as well. The gold grades of these samples range from 0.27g/t to 0.88g/t, with both average and median of 0.62g/t. At the 290 Gaodi property, 9 samples assayed return gold results ranging from 0.10g/t to 1.50g/t, with an average and median values of 0.64g/t and 0.57g/t, respectively (see Table 5-5and Table 5-6).

Table 5-6: Summary of Sample Results

Property	No. of Samples	Au (g/t)		
		Range	Average	Median
Paoshouyingdongshan	15	0.10 - 0.81	0.51	0.55
Dumuheshangyou	10	0.27 - 0.88	0.62	0.62
290 Gaodi	9	<0.10 - 1.50	0.64	0.57

The gold results of surface samples collected from the three properties are very encouraging. It implies there are of gold potential for further exploration in these property areas.

According to the feasibility report on the project development of Zhongyi-Weiye conducted by Guangzhou Geochemistry Institute of Chinese Academy of Science (GGICAS) in June 2009, potential gold resources at these property areas were prematurely estimated based on the anomalous length, width and inferred depth of mineralized zones shown on the remote sensing maps. Three exploration areas have gold prospecting resources of 5.59 tonnes (t), 10.07t, and 5.21t, respectively. It is of SRK's opinion that, prior to have a resource statement of the properties, much more exploration programs, such as trenches with detailed sampling, are needed to control the length and width of each mineralized zone. SRK should emphasize that the resource statement shown in Table 5-7 is only possible mineral resource prediction and that it should be used with caution.

Table 5-7: Prediction of Gold Prospecting Resources (from GGICAS)*

Property	Remote Sensing Anomaly	Length (m)	Width (m)	Depth (m)	Resource (Mt)	Grade (g/t)	Au (t)
Paoshouyingdongshan	P1	1830	15	50	3.706	0.51	5.59
	P2	1080	50	50	7.290		
Dumuheshangyou	D3	1500	60	50	12.150	0.62	10.07
	D4	1030	30	50	4.172		
290 Gaodi	G5	500	30	50	2.025	0.64	5.21
	G6	1500	30	50	6.075		

**Note:* the mineralized ore density is assumed at $2.7t/m^3$.

5.10 Recommendations for Future Exploration

The Zhongyi-Weiye gold and ploymetallic project is still in its early stage of exploration. Previous geological, geochemical and remote sensing exploration work at 1:25,000 scale have delineated geochemical and remote sensing anomaly areas at the three exploration tenements. Assay results of samples collected from these properties are very good. It implies the existence of gold and other metals in the project areas with potential resources.

SRK recommend that trenching explorations with detailed samples should be carried out at the delineated anomalous areas at 1:2000 scale following the mineralised fracture zones. The trenching engineering will not only control the spatial distribution of mineralised bodies and provide information for drill holes design, but also better understand the mineralisation characteristics.

It is recommended that drillings and tunnelling should be continued in the purpose to investigate continuation of already discovered mineralized zones and to discover new ones, however these works should be preceded by carefully planned and executed geophysical survey which combined with geochemistry could more precisely indicate the targets.

The drillings and tunnelling should in the manner which allows issuing appropriate maps and cross sections through mineralized zones eventually to produce 3D models and result with mineral resources estimation.

The appropriate QA/QC protocol should be implemented and strictly observed both at the exploration site as well in assigned laboratories. The periodical reports on QA/QC protocol should be issued and available for independent consulting.

Upon the success of the exploration program, a resource estimation and maybe feasibility study may be conducted to evaluate the properties for possible development and/or further exploration.

The Company has already adopted the recommendation made by SRK above to conduct further exploration programs in the three gold prospects and further exploration work is currently in progress. After the completion of the exploration work, ore resources/reserves of the three gold prospects, including measured, indicated and inferred resources, will be estimated by relevant geological brigade. The feasibility study and the environmental impact assessment report will be compiled as well. The Company will conduct one to five year mining plan based the mining design on the mine. With reference to the mining schedules of the Company, Zhongyi-Weiye's proposed production policy is to use its own mine resources to engage in mining, concentrating, and sales of gold. Zhongyi-Weiye also has a policy to mine and process economically exploitable ore according to the rights to be provided by the mining licence.

GLOSSARY OF TERMS AND ABBREVIATIONS

%	percent
°	degree
°C	degrees Centigrade
ASL	above sea Level
Au	The chemical symbol for gold
AusIMM	Australasian Institute of Mining and Metallurgy
cm	centimetre
Cu	The chemical symbol for copper deposit Earth material of any type; either consolidated or unconsolidated, that has accumulated by some natural process or agent.
E	east
FS	Feasibility study
HKEx	the Stock Exchange of Hong Kong Limited
IER	Independent Expert Report
IPO	Initial Public Offering
ITR	Independent Technical Review
JORC	Code Joint Ore Reserves Committee Code
kg	kilogram, equivalent to 1,000 grams
km	kilometres, equivalent to 1,000 metres
km^2	square kilometres
m	metres
M	million
mm	millimetres
Mt	million tonnes
N	north
NE	Northeast
NEE	Northeast-east
NNE	Northnorth-east
NNW	Northnorth-west
NS	Northsouth
NW	Northwest
pa	per annum
PRC	People's Republic of China
QA/QC	quality assurance/quality control
S	south, also the chemical symbol for sulphur
SE	southeast
SRK	SRK Consulting Ltd
SW	southwest
t	tonne, equal to 1,000kg
the "Report"	Independent Expert Report
Valmin Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
W	west
WE	westeast

REFERENCES

1 Feasibility Study Report on project development of the Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi Exploration Tenements in Hulin County of Heilongjiang Province. *Guangzhou Geochemistry Institute of Chinese Academy of Science*, June 2009.

2 Exploration Summary of Paoshouyingdongshan Exploration Tenement in Hulin County of Heilongjiang Province. *Heilongjiang Research Institute of Non-ferrous Metals Exploration*, November 2008.

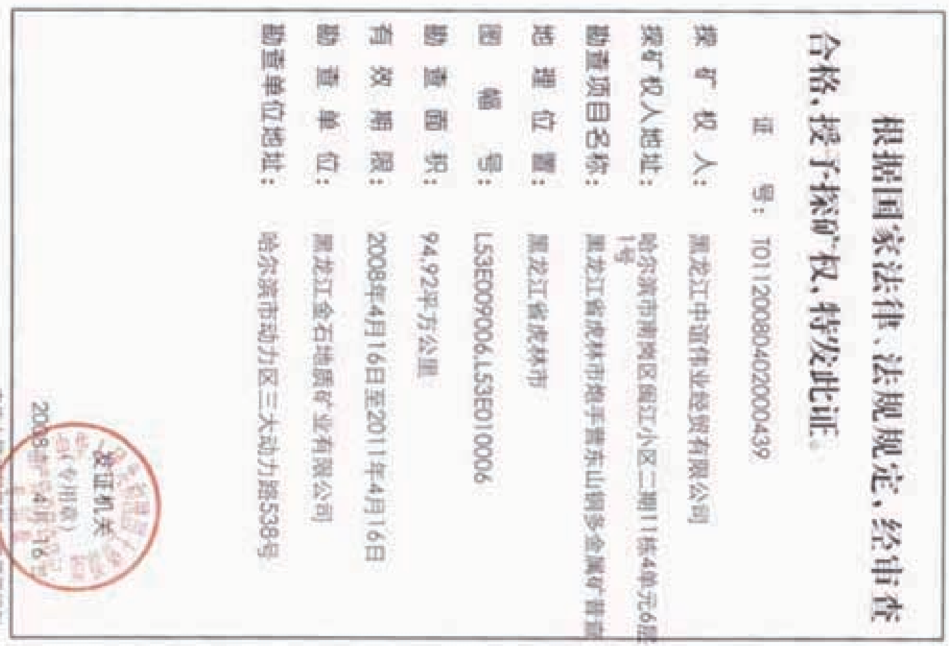
3 Exploration Summary of Dumuheshangyou Exploration Tenement in Hulin County of Heilongjiang Province. *Heilongjiang Research Institute of Non-ferrous Metals Exploration*, November 2008.

4 Drilling Program Report on the Paoshouyingdongshan, Dumuheshangyou and 290 Gaodi Exploration Tenements in Hulin County of Heilongjiang Province. *Liaoning Geological Exploration Institute*, July 2009

APPENDICES

Appendix 1: Zhongyi-Weiye Exploration Tenements

Paoshouyingdongshan Exploration Tenement



根据国家法律、法规规定，经审查合格，授予探矿权，特发此证。

证　号：T01120080402000439

探 矿 权 人：黑龙江中谊伟业经贸有限公司

探矿权人地址：哈尔滨市南岗区闽江小区二期11栋4单元6层1号

勘查项目名称：黑龙江省虎林市袍手营东山铜多金属矿普查

地 理 位 置：黑龙江省虎林市

图 幅 号：L53E009006,L53E010006

勘 查 面 积：94.92平方公里

有 效 期 限：2008年4月16日至2011年4月16日

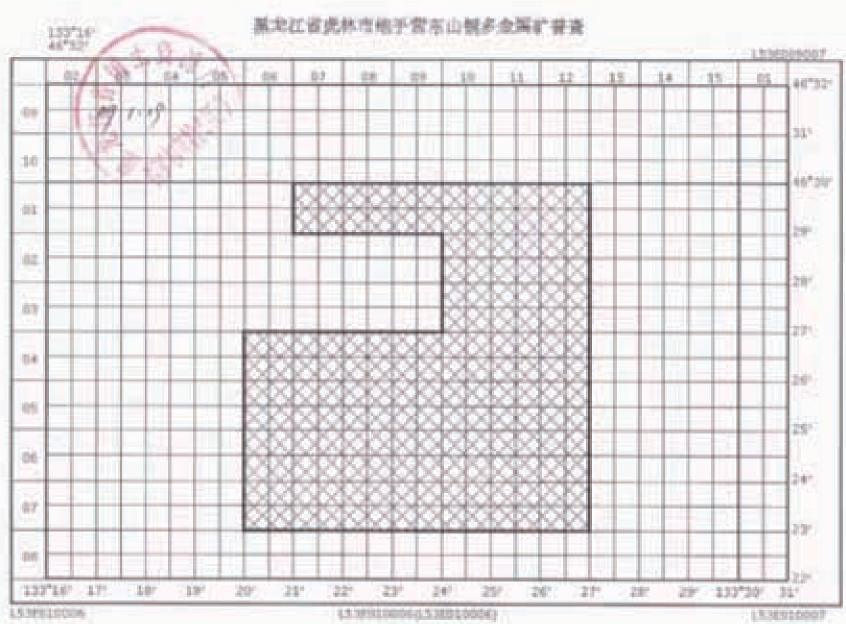
勘 查 单 位：黑龙江金石地质矿业有限公司

勘查单位地址：哈尔滨市动力区三大动力路538号

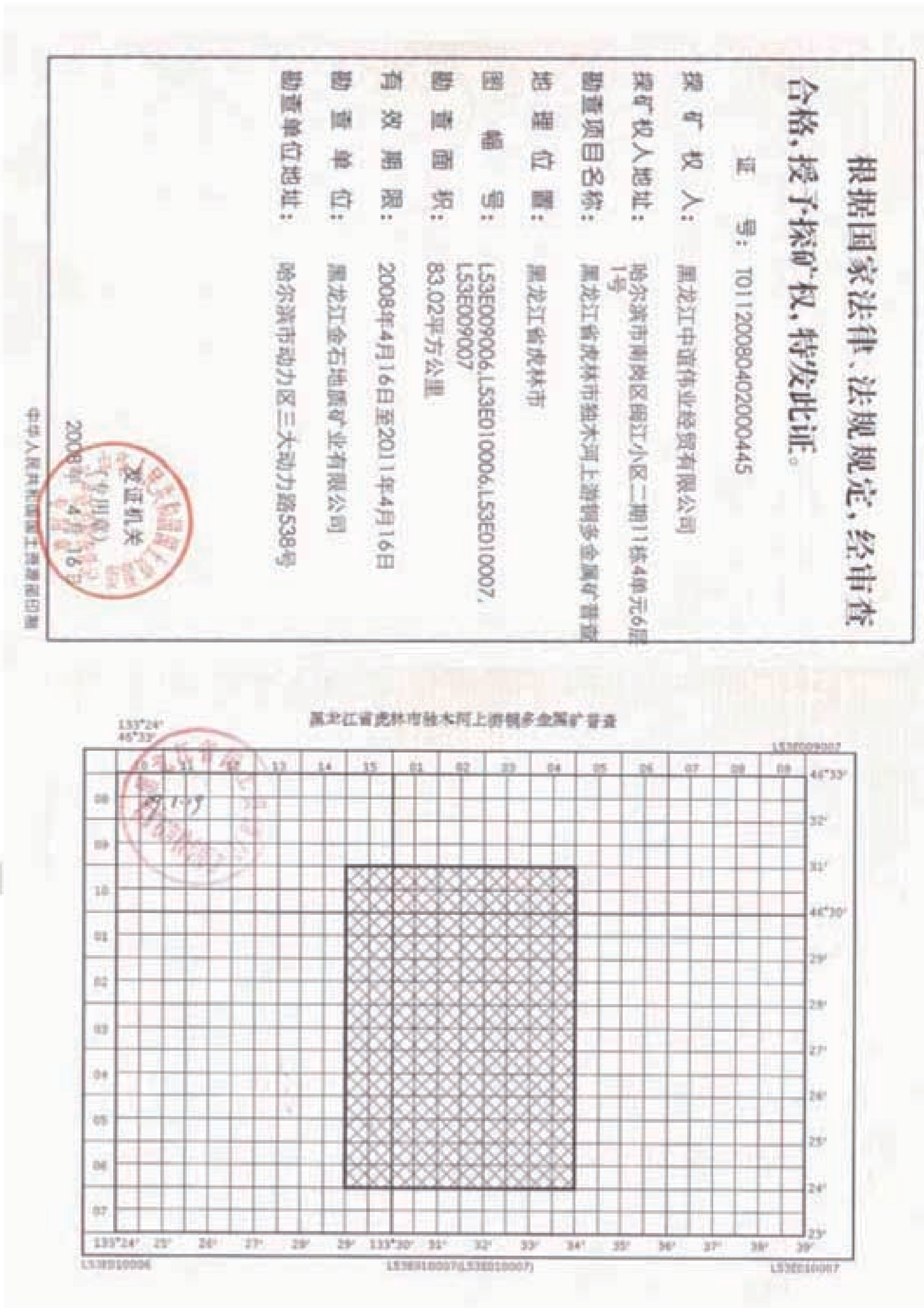
发证机关（专用章）

2008年4月18日

中华人民共和国国土资源部印制



Dumuheshangyou Exploration Tenement



根据国家法律、法规规定，经审查合格，授予探矿权，特发此证。

证 号：T01120080402000445

探 矿 权 人：黑龙江中诺伟业经贸有限公司

探矿权人地址：哈尔滨市南岗区闽江小区二期11栋4单元6层1号

勘查项目名称：黑龙江省虎林市独木河上游铜多金属矿普查

地 理 位 置：黑龙江省虎林市

图 幅 号：L53E009006,L53E010006,L53E010007,L53E009007

勘 查 面 积：83.02平方公里

有 效 期 限：2008年4月16日至2011年4月16日

勘 查 单 位：黑龙江金石地质矿业有限公司

勘查单位地址：哈尔滨市动力区三大动力路538号

发证机关

2008年4月16日

中华人民共和国国土资源部印制

黑龙江省虎林市独木河上游铜多金属矿普查

290 Gaodi Exploration Tenement

根据国家法律、法规规定，经审查合格，授予探矿权，特发此证。

证　　号：T01120081102023112

探 矿 权 人：黑龙江中诺伟业经贸有限公司

探矿权人地址：哈尔滨市南岗区闽江小区二期11栋4单元6层1号

勘查项目名称：黑龙江省虎林市290高地铜多金属矿普查

地 理 位 置：黑龙江省虎林市

图 幅 号：L53E007009,L53E007010,L53E008009,L53E008010

勘 查 面 积：18.37平方公里

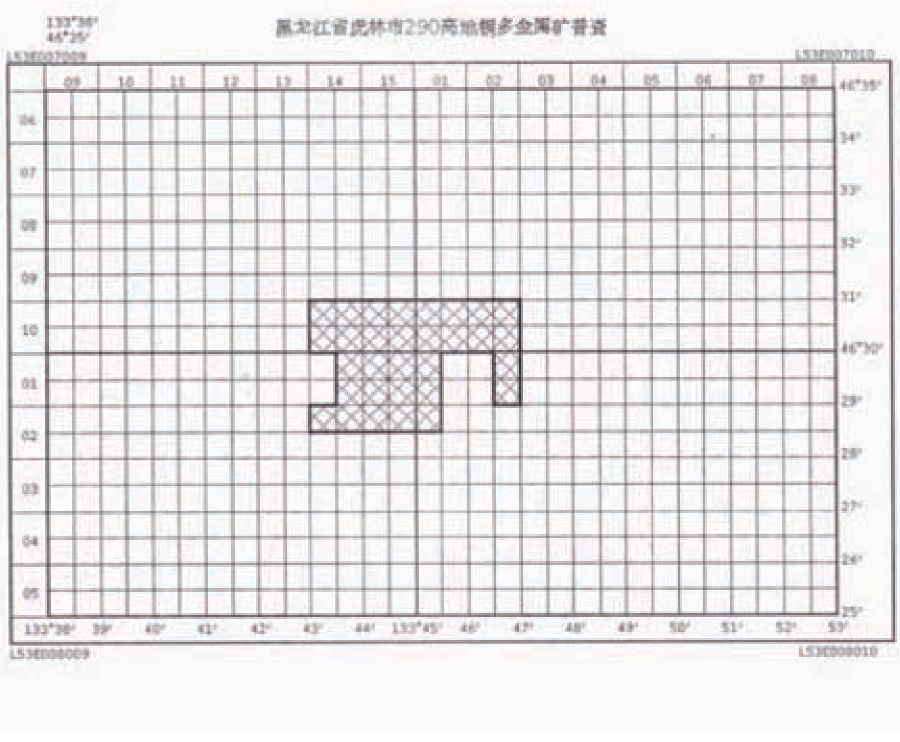
有 效 期 限：2008年11月5日至2011年11月5日

勘 查 单 位：黑龙江金石地质矿业有限公司

勘查单位地址：哈尔滨市动力区大庆路26号

发证机关
（专用章）
2008年11月5日

中华人民共和国国土资源部印制



Appendix 2: Chinese Resource and Reserve Standards

Categorisation of Mineral Resources and Ore Reserves

The system for the categorisation of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". This new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system, however, estimates and feasibility studies carried out before 1999 will have used the old system.

Wherever possible, the Chinese Resource and Reserve estimates have been reassigned by SRK to categories similar to those used by the JORC Code to standardise categorisation. Although similar terms have been used, SRK does not mean to imply that in their present format they are necessarily classified as 'Mineral Resources' as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

JORC Code Resource Category	Chinese "Reserve" Category	
	Previous system	**Current system**
Measured	A, B	111, 111b, 121, 121b, 2M11, 2M21, 2S11, 2S21, 331
Indicated	C	122, 122b, 2M22, 2S22, 332
Inferred	D	333
Non-equivalent	E	334

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C and D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C and D are broadly equivalent to the 'Measured', 'Indicated', and 'Inferred' categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system the 'Measured Resource' category has the most confidence and the 'Inferred' category has the least confidence, based on the increasing levels of geological knowledge and continuity of mineralisation.

Definition of the new Chinese Resource and Reserve Category Scheme

Category	Denoted	Comments
Economic	1	Full feasibility study considering economic factors has been conducted
	2	Pre feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small scale mapping)
	3	Minor work which is projected throughout the area
	4	Review stage

Appendix 3: Assay Results of Drill Cores

Sample No.	Sample Location	Au(g/t)	Sample No.	Sample Location	Au(g/t)
		Dumuheshangyou Property			
ZKD1-1	8.30-9.30	0.78	ZKD1-26	111-112	0.60
ZKD1-2	11-12	0.92	ZKD1-27	114-115	0.94
ZKD1-3	14-15	0.66	ZKD1-28	118-119	0.20
ZKD1-4	18.9-19.9	0.33	ZKD1-29	122-123	0.10
ZKD1-5	23.3-24.3	0.24	ZKD1-30	127-128	0.10
ZKD1-6	27.1-28.1	0.94	ZKD1-31	130-131	0.20
ZKD1-7	31-32	0.53	ZKD1-32	134-135	0.20
ZKD1-8	35.1-36.1	0.53	ZKD1-33	138-139	0.20
ZKD1-9	38.3-39.3	0.76	ZKD1-34	141-142	0.21
ZKD1-10	42.5-43.5	0.20	ZKD1-35	145-146	0.54
ZKD1-11	47.6-48.6	0.67	ZKD1-36	148-149	0.20
ZKD1-12	53.5-54.5	0.47	ZKD1-37	151-152	0.20
ZKD1-13	56-57	0.10	ZKD1-38	155-156	0.20
ZKD1-14	59.6-60.6	0.10	ZKD1-39	158-159	0.20
ZKD1-15	63-64	0.21	ZKD1-40	161-162	0.21
ZKD1-16	68.8-69.8	0.10	ZKD1-41	164-165	0.23
ZKD1-17	71.7-72.7	0.10	ZKD1-42	167-168	0.31
ZKD1-18	76-77	0.20	ZKD1-43	170-171	0.21
ZKD1-19	83-84	0.20	ZKD1-44	173-174	0.20
ZKD1-20	87-88	0.27	ZKD1-45	176-177	2.70
ZKD1-21	91-92		ZKD1-46	179-180	0.80
ZKD1-22	95-96	0.56	ZKD1-47	182-183	0.70
ZKD1-23	99-100	0.43	ZKD1-48	183-184	0.20
ZKD1-24	102-103	0.91	ZKD1-49	185-186	0.73
ZKD1-25	107-108	0.21	ZKD1-50	187-188	0.83
		290 Gaodi Property			
ZKG1-1	0-1	0.57	ZKG1-16	49-50	0.8
ZKG1-2	3-4	《0.2	ZKG1-17	53-54	0.28
ZKG1-3	6-7	0.36	ZKG1-18	56-57	0.95
ZKG1-4	9-10	0.65	ZKG1-19	59-60	0.83
ZKG1-5	12-13	《0.2	ZKG1-20	61-62	0.81
ZKG1-6	15-16	0.88	ZKG1-21	64-65	0.59
ZKG1-7	18-19	0.89	ZKG1-22	68-69	0.65
ZKG1-8	21-22	0.85	ZKG1-23	70-71	0.83
ZKG1-9	24-25	0.79	ZKG1-24	72-73	0.81
ZKG1-10	27-28	0.54	ZKG1-25	75-76	0.67
ZKG1-11	31-32	0.53	ZKG1-26	78-79	0.64
ZKG1-12	35-36	0.41	ZKG1-27	80-81	0.65
ZKG1-13	38-39	0.95	ZKG1-28	81-82	0.48
ZKG1-14	41-42	1.1	ZKG1-29	83-84	0.51
ZKG1-15	46-47	0.62	ZKG1-30	85-86	0.54

Sample No.	Sample Location	Au(g/t)	Sample No.	Sample Location	Au(g/t)
		Paoshouyingdongshan Property			
GKP1-1	0-5	0.06	GKP1-38	65-66	0.12
GKP1-2	5-10	0.05	GKP1-39	66-67	0.14
GKP1-3	10-15	0.1	GKP1-40	67-68	0.14
GKP1-4	15-20	0.09	GKP1-41	68-69	0.068
GKP1-5	20-25	0.09	GKP1-42	69-70	0.068
GKP1-6	25-30	0.04	GKP1-43	70-71	0.08
GKP1-7	30-31	0.01	GKP1-44	71-72	0.09
GKP1-8	31-32	0.05	GKP1-45	72-73	0.14
GKP1-9	32-33	0.03	GKP1-46	73-74	0.14
GKP1-10	33-34	0.02	GKP1-47	74-75	0.14
GKP1-11	34-35	0.068	GKP1-48	75-76	0.04
GKP1-12	35-36	0.07	GKP1-49	76-77	0.14
GKP1-13	36-37	0.14	GKP1-50	77-78	0.14
GKP1-14	37-38	0.11	GKP1-51	78-79	0.12
GKP1-15	38-39	0.14	GKP1-52	79-80	0.07
GKP1-16	39-40	0.068	GKP1-53	80-81	0.1
GKP1-17	40-40.7	0.07	GKP1-54	81-82	0.06
GKP1-18	45-46	0.03	GKP1-55	82-83	0.13
GKP1-19	46-47	0.07	GKP1-56	83-84	0.068
GKP1-20	47-48	0.05	GKP1-57	84-85	0.09
GKP1-21	48-49	0.12	GKP1-58	85-86	0.13
GKP1-22	49-50	/	GKP1-59	86-87	0.068
GKP1-23	50-51	0.08	GKP1-60	87-88	0.06
GKP1-24	51-52	0.13	GKP1-61	88-89	0.068
GKP1-25	52-53	0.09	GKP1-62	89-90	0.068
GKP1-26	53-54	0.1	GKP1-63	90-91	0.07
GKP1-27	54-55	/	GKP1-64	91-92	0.06
GKP1-28	55-56	0.12	GKP1-65	92-93	0.14
GKP1-29	56-57	/	GKP1-66	93-94	/
GKP1-30	57-58	0.08	GKP1-67	94-95	0.06
GKP1-31	58-59	0.09	GKP1-68	95-96	0.07
GKP1-32	59-60	0.08	GKP1-69	96-97	0.068
GKP1-33	60-61	0.04	GKP1-70	97-98	0.14
GKP1-34	61-62	0.05	GKP1-71	98-99	0.06
GKP1-35	62-63	0.1	GKP1-72	99-100	0.05
GKP1-36	63-64	0.06	GKP1-73	100-101	0.07
GKP1-37	64-65	0.07			

The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the business valuation of the Target Mine No.1 and the Target Mine No.2 as at 22 July 2009.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

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

31 August 2009

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

Dear Sirs,

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

In accordance with your instructions for us to carry out an appraisal for the market value of two greenfield gold mines located at Paoshouying Dongshan (hereinafter referred to as the "Target Mine No. 1") and the headstream of Dumuhe (hereinafter referred to as the "Target Mine No. 2") (hereinafter together referred to as the "Gold Mining Project") of Hulin City, Heilongjiang Province, the People's Republic of China (hereinafter referred to as the "PRC"). It is our understanding that the exploration permits of the Gold Mining Project are currently held by 黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic and Trade Co. Ltd.) (hereinafter referred to as the "Business Enterprise"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value for the Gold Mining Project as at 22 July 2009 (hereinafter referred to as the "Date of Appraisal").

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

1.0 PURPOSE OF APPRAISAL

This report is being prepared solely for the use of the directors and management of Sino Prosper Holdings Limited (hereinafter referred to as the "Company") for inclusion in the circular to its shareholder in relation to the proposed acquisition of 65% equity interest in the Business Enterprise. In addition, Norton Appraisals Limited (hereinafter referred to as the "Norton Appraisals") acknowledge that this report may be made available to the independent financial adviser of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators.

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

2.0 SCOPE OF WORK

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

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

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

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

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

3.0 GOLD MINING PROJECT

The Gold Mining Project is wholly owned by the Business Enterprise. The Business Enterprise is a limited liability company (Taiwan-Hong Kong-Macau and local joint venture company) incorporated in the PRC with registered capital of RMB 5.7 million. The main scope of business is confined to wholesaling of construction materials, steels, agricultural goods and conduct exploration and prospecting copper and polymetallic mines in restricted area upon obtaining the exploration permit. It is subject to a Enterprise Legal Person Business License No. 230103100168826 from 15 February 2007 to 14 February 2039. The registered address of the Business Enterprise is situated at 哈爾濱市南崗區閩江小區二期11棟4單元6層1號 (No. 1, 6/F., Unit 4, Block 11, Phase 2, Min Jiang Xiao Qu, Nan Gang District, Harbin City).

3.1 Location and Geographic Coordinates

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

Figure 1: Location of Gold Mining Project

3.2 Climate and Physiography

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

3.3 Economy and Infrastructure

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

3.4 Mineralogy

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

4.0 EXPLORATION PERMIT

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

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

Table 1: Summary of Exploration Tenements

4.1 Target Mine No. 1 Exploration Tenement

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

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

Table 2: Corner coordinates of Target Mine No. 1

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

4.2 Target Mine No. 2 Exploration Tenement

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

Corner	Longitude	Latitude
1	133°29'00"	46°31'00"
2	133°34'00"	46°31'00"
3	133°34'00"	46°24'00"
4	133°29'00"	46°24'00"

Table 3: Corner coordinates of Target Mine No. 2

In the Target Mine No. 2, the main strata are the Late Triassic Dajiahe Formation (T_3dj). The Late-Middle Triassic Shibagoudi Formation (T_{3-2}sh), the Late Triassic Dababeishan Formation (T_3d) and the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J_1d) are locally distributed. The lithologies of these stratigraphic units are similar to those in the Target Mine No. 1 tenement area. The Early Permian Pikeshan Formation ($\lambda\ \pi K_1$p) consists of felsic volcanics including dacite, rhyolite, and tuff breccia, distributed in the southeast corner of the permit area.

5.0 RESOURCE ESTIMATION

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

6.0 INTERNATIONAL GOLD MARKET

6.1 Competitive Currency Devaluations

Competitive currency devaluations on an international scale are a recipe for wealth destruction on a massive scale. Devaluation is a short term panacea which fails to address underlying uncompetitive challenges facing economies. Countries that devalue their currencies tend not to do well over the long term as seen in many emerging markets and South American economies in modern history.

Countries that have strong currencies in modern history (such as Germany and Switzerland) tend to move up the value chain in terms of exports and prosper in the long term. A sound currency is a prerequisite for a sound economy and alas the UK, US (after years of profligacy) and many other nations face major challenges on both fronts.

Gold is a finite currency will be the default currency of choice and a monetary safety valve where large sums of capital will flow – thus resulting in sharply higher prices.

6.2 Supply/Demand Situation in Gold and Silver Remains Very Bullish

Global gold production is now estimated at some 2,500 tons per annum and demand is around 4,000 tons. The supply demand deficit has been made up for many years by sales by certain imprudent central banks (such as Gordon Brown's Bank of England) and these central banks are now greatly reducing their sales and many central banks internationally, especially large creditor nations with huge US dollar reserves, are now diversifying their currency reserves with gold.

Gold ETFs have created hundreds of tons (the world's largest ETF, the SPDR Gold Trust, said its bullion holdings rose 6.1 tons, or almost 1 percent, on 17 December 2008 to a record high of 775.33 tons of bullion) and billions of dollars worth of extra demand for gold in recent years. As have the creation of many other gold storage and ownership programmes such as digital gold and Perth Mint Certificates (the Perth Mint refines and produces some 10% of the world's bullion, doubled output in the past six months).

Meanwhile, global gold production has not increased despite the increase in demand and increase in gold prices in recent years. Gold is a precious, finite metal and gold production only increases at a rate of some 2 to 2.5% per annum and falling.

Of the world's three biggest gold producers (China, South Africa and Australia), only China has managed to increase gold production in recent years and their increase in production has been met with a corresponding sharp increase in Chinese demand meaning that Chinese gold does not add to supply in the international marketplace as it is all consumed in China which is a net importer and increasingly so.

South Africa gold output has been falling since 1970 when annual production was over 1,000 tons. In 2007, South Africa produced 272 tons of gold. South Africa gold output fell to its lowest level in 84 years in 2006 because of declining mining grades. The last time South Africa produced less than 260 tons of gold was in 1920.

This means that the supply/demand balance in gold is becoming increasingly tight and likely to lead to markedly higher prices in the coming years.

6.3 Massive Systemic Risk

The risk posed to the entire global financial system has never been as high and counter party risk has never been as high. In a world where huge banks such as Bear Stearns and Lehman Brothers can collapse and behemoths such as Fannie Mae, Freddie Mac, General Motors and a long list of others need to be bailed out, investors need to again consider systemic risk and counter party risk. Systemic risk hasn't gone away, and it's entirely possible that the risk may re-elevate in the next six months.

Stockbrokers, pension providers and many other financial intermediaries will be at risk of failure in the coming months and investors need to be aware of counter party risk and intermediation. They should only deal with financial entities and investment providers who they have done much due diligence on and who they are reassured regarding the solvency. Credit ratings of providers should again be evaluated and scrutinized.

Source: http://www.research.gold.org/prices/daily/

7.0 THE PRC GOLD INDUSTRY

The gold sector will remain bullish over the long-term, as the nation is believed to be the first major economy to rebound from the global recession. China's economy grew 7.9% in the second quarter after a Renminbi 4 trillion (USD586 billion) stimulus package resulting a recorded lending and consumption. The China's consumption is growing and thus driving the jewelry demand in China. It is the fact that Jewelry demand in China has expanded in the first quarter while dropping in India, which is the world largest gold consumer at the moment. Total demand from India in the first quarter fell severely 83% to 17.7 tons, from 107.2 tons a year earlier, according to the sources from World Gold Council. In contrast, purchases in China rose slightly 1.8% to 105.2 tons from 103.3 tons. Total Chinese demand for gold was six times that of India in the first quarter. In other words, China, the world largest gold producer, may overtake India to become the world's top gold consumer this year.

China official has revealed its gold holdings, which are 1,054 tons up from 600 tons in 2002, and also represents a 76% boost since 2003. The nation has become the world's fifth-largest gold reserves as mentioned by the State of Administration of Foreign Exchange. The nation increased its reserves mainly through domestic purchases and refining scrap metal. The amount surpasses the gold reserves of Switzerland's 1,040 tons, as indicated by World Gold Council, and is estimated to worth USD 31 billion. The bullion price will rise steadily in long run as the demand is growing continuously. Speaking in the public occasion, the vice general secretary of the China Gold Association, Hou Huimin, has tipped a rise in bullion price as the country should build its gold reserves to 5,000 tons from nationally economic strategic point of views. As it is widely believed that the world economy will be experiencing a stage of inflationary, holding foreign currencies as assets would be risky. It is reasonable that China should hold more gold than any other country because of China's international status and because of the financial crisis. Chinese Premier Wen Jiabao has expressed his concern publicly the dollar will be weaken, eroding the value of China's holdings of Treasuries, as the US imposing a very loose monetary policy to tackle the credit crisis. That means US dollar's value will be fluctuating materially in long run and it may retreat from being the international reserve money in the worst scenario. So holding gold as a primary asset will be at advantage and even diversify the risk in face of probable currency depreciation. In general, the prospect of gold sector is encouraging as the underlying fundamentals remain positive for this precious metal.

World official gold holding (March 2009)

Rank	Country	Gold *(tons)*	Gold's share of total forex reserves *(%)*
1	United States	8,133.5	78.9%
2	Germany	3,412.6	71.5%
3	France	2,487.1	72.6%
4	Italy	2,451.8	66.5%
5	the People's Republic of China	1,054.0	0.9%
6	Switzerland	1,040.1	41.1%
7	Japan	765.2	2.2%
8	Netherlands	612.5	61.7%
9	Russia	523.7	4.0%
10	Taiwan	423.6	4.2%

Source: World Gold Council

8.0 MAJOR RISK FACTORS

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

Risks relating to gold industry and the exactly Gold Mining Project.

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

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

- The continuing success depends on the ability to continue developing gold resources.

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

- The business requires significant and continuous capital investment.

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

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

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

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

9.0 DEFINITION OF APPRAISAL

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

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

10.0 INVESTIGATION AND ANALYSIS

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

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

- The nature and the characteristics of the mine development plan such as the historical background and the ground work to develop the mining areas;
- Technical review of the mining operations and resource/reserve estimation by the technical experts;
- Projections made by the Management;
- The nature of the exploration permit such as the remaining life and its characteristics;
- The economic and industry data affecting the mines and the mineral extraction industry in PRC; and
- The market-derived investment returns of similar business.

11.0 GENERAL APPRAISAL APPROACHES

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

11.1 Market-Based Approach

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

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

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

11.2 Asset-Based Approach

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

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

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

11.3 Income-Based Approach

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

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

12.0 APPRAISAL APPROACH FOR THE GOLD MINING PROJECT

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

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

12.1 Discount Rate

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

This is a widely used and accepted method to determine the market value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. To adopt this method, we must however, first obtain the cost of equity of the company as a basic discount rate. Since the Gold Mining Project is privately owned, we can only obtain their cost of equity based on the capital asset pricing model (CAPM) using beta of its proxies.

We have considered the nature of business, associated risks and etc of the relevant comparables and concluded an equity beta as appropriate from the market data. From modern portfolio management perspective, a typical investor are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate.

Cost of equity = risk free rate + equity beta x market risk premium + country risk premium + size premium + industry risk premium + pre-operational risk

As at the Date of Appraisal, we have arrived an adjusted discount rate at 18.96%.

In addition, we have adopted a lack of marketability discount of 20% for the Gold Mining Project as ownership interests in closely held companies are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

13.0 APPRAISAL ASSUMPTIONS

- We have relied on the Technical Report, business plan, mining schedules and legal opinions provided by the Management and we have no responsibility for the reliability of the advice;

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

- As per mining schedule prepared by the Management, the mining operation is estimated to last for up to 5 years with a total actual production of 14.1 tons. The Gold Mining Project will formally put into production on 2010. The total amount of gold produced from the Gold Mining Project as per business plan provided by the Management as follow:

– Year 2010	:	1.0 tons
– Year 2011	:	2.0 tons
– Year 2012	:	4.0 tons
– Year 2013	:	4.0 tons
– Year 2014	:	3.1 tons
Total	**:**	**14.1 tons**

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

- The Business Enterprise is able to renew the mining right(s) from relevant legal authorities regularly in order to successfully achieve the proposed extraction phase and production scale;

- The Company successfully completed the mining project(s) and obtained the expected result within the investment horizon;

- The market sale price of the gold is referred to Shanghai Gold Exchange Au 9995 closing price on the Date of Appraisal. We have adopted yearly growth rate of 5.05% in respect of the market sale price from 2010 to 2014; the 5.05% is based on 20-year average yearly growth rate of gold price, which taking into consideration of a typical business cycle;

- The average production cost per gram over the planned extraction phase is about RMB63. The production cost growth is reference to historical long term China inflation at average growth rate of 5.07%;

- The Gold Mining Project would maintain sufficient working capital to implement the scheduled exploration program and the operation of subject gold mines from time to time;

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

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

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

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

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

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

14.0 LIMITING CONDITIONS

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

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

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

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

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

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

We have not investigated the title to or any legal liabilities of the Gold Mining Project and have assumed no responsibility for the title to the Gold Mining Project appraised.

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

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

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

15.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Renminbi.

16.0 OPINION OF VALUE

Based on the investigation, analysis and appraisal assumptions stated above and on the appraisal method employed, we are of the opinion that the market value for the 100% equity interest of the Gold Mining Project, as at 22 July 2009 is in the sum of **RMB630,000,000 (RENMINBI SIX HUNDRED AND THIRTY MILLION ONLY**).

Yours faithfully, For and on behalf of
Norton Appraisals Limited

Nick C. L. Kung
Registered Business Valuer of
HKBVF, MRICS, MHKIS, RPS (G.P.)
Director, Corporate Valuations

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

The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the business valuation of the Target Mine No.3 as at 22 July 2009.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

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

31 August 2009

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

Dear Sirs,

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

In accordance with your instructions for us to carry out an appraisal for the market value of a greenfield gold mine located at No. 290 Highland (hereinafter referred to as the "No. 290 Gold Mine" or "Target Mine No. 3") of Hulin City, Heilongjiang Province, the People's Republic of China (hereinafter referred to as the "PRC"). It is our understanding that the exploration permit of No. 290 Gold Mine is currently held by 黑龍江中誼偉業經貿有限公司(Heilongjiang Zhongyi Weiye Economic and Trade Co. Ltd) (hereinafter referred to as the "Business Enterprise"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value for No. 290 Gold Mine as at 22 July 2009 (hereinafter referred to as the "Date of Appraisal").

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

1.0 PURPOSE OF APPRAISAL

This report is being prepared solely for the use of the directors and management of Sino Prosper Holdings Limited. (hereinafter referred to as the "Company") for inclusion in the circular to its shareholder in relation to the proposed acquisition of 65% equity interest in the Business Enterprise. In addition, Norton Appraisals Limited (hereinafter referred to as the "Norton Appraisals") acknowledge that this report may be made available to the independent financial adviser of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators.

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

2.0 SCOPE OF WORK

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

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

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

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

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

3.0 NO. 290 GOLD MINE

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

3.1 Location and Geographic Coordinates

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

Figure 1: Location of No. 290 Gold Mine

3.2 Climate and Physiography

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

3.3 Economy and Infrastructure

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

3.4 Mineralogy

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

4.0 EXPLORATION PERMIT

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

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

Table 1: Summary of Exploration Tenement

4.1 No. 290 Gold Mine Exploration Tenement

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

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

Table 2: Corner coordinates of No. 290 Gold Mine

The strata are relatively simple in the No. 290 Gold Mine exploration tenement area. The main stratigraphic units are the Late Triassic Dajiahe Formation (T_3dj) and the Late Triassic-Early Jurassic Dalingqiao Formation (T_3-J1d). Both lithologies are similar to the Paoshouying Dongshan and the headstream of Dumuhe exploration tenements areas. The Middle Jurassic Nandashan Formation (J_2n) consists of felsic volcanics including dacite, rhylite, and tuff breccia.

5.0 RESOURCE ESTIMATION

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

6.0 INTERNATIONAL GOLD MARKET

6.1 Competitive Currency Devaluations

Competitive currency devaluations on an international scale are a recipe for wealth destruction on a massive scale. Devaluation is a short term panacea which fails to address underlying uncompetitive challenges facing economies. Countries that devalue their currencies tend not to do well over the long term as seen in many emerging markets and South American economies in modern history.

Countries that have strong currencies in modern history (such as Germany and Switzerland) tend to move up the value chain in terms of exports and prosper in the long term. A sound currency is a prerequisite for a sound economy and alas the UK, US (after years of profligacy) and many other nations face major challenges on both fronts.

Gold is a finite currency will be the default currency of choice and a monetary safety valve where large sums of capital will flow – thus resulting in sharply higher prices.

6.2 Supply/Demand Situation in Gold and Silver Remains Very Bullish

Global gold production is now estimated at some 2,500 tons per annum and demand is around 4,000 tons. The supply demand deficit has been made up for many years by sales by certain imprudent central banks (such as Gordon Brown's Bank of England) and these central banks are now greatly reducing their sales and many central banks internationally, especially large creditor nations with huge US dollar reserves, are now diversifying their currency reserves with gold.

Gold ETFs have created hundreds of tons (the world's largest ETF, the SPDR Gold Trust, said its bullion holdings rose 6.1 tons, or almost 1 percent, on 17 December 2008 to a record high of 775.33 tons of bullion) and billions of dollars worth of extra demand for gold in recent years. As have the creation of many other gold storage and ownership programmes such as digital gold and Perth Mint Certificates (the Perth Mint refines and produces some 10% of the world's bullion, doubled output in the past six months).

Meanwhile, global gold production has not increased despite the increase in demand and increase in gold prices in recent years. Gold is a precious, finite metal and gold production only increases at a rate of some 2 to 2.5% per annum and falling.

Of the world's three biggest gold producers (China, South Africa and Australia), only China has managed to increase gold production in recent years and their increase in production has been met with a corresponding sharp increase in Chinese demand meaning that Chinese gold does not add to supply in the international marketplace as it is all consumed in China which is a net importer and increasingly so.

South Africa gold output has been falling since 1970 when annual production was over 1,000 tons. In 2007, South Africa produced 272 tons of gold. South Africa gold output fell to its lowest level in 84 years in 2006 because of declining mining grades. The last time South Africa produced less than 260 tons of gold was in 1920.

This means that the supply/demand balance in gold is becoming increasingly tight and likely to lead to markedly higher prices in the coming years.

6.3 Massive Systemic Risk

The risk posed to the entire global financial system has never been as high and counter party risk has never been as high. In a world where huge banks such as Bear Stearns and Lehman Brothers can collapse and behemoths such as Fannie Mae, Freddie Mac, General Motors and a long list of others need to be bailed out, investors need to again consider systemic risk and counter party risk. Systemic risk hasn't gone away, and it's entirely possible that the risk may re-elevate in the next six months.

Stockbrokers, pension providers and many other financial intermediaries will be at risk of failure in the coming months and investors need to be aware of counter party risk and intermediation. They should only deal with financial entities and investment providers who they have done much due diligence on and who they are reassured regarding the solvency. Credit ratings of providers should again be evaluated and scrutinized.

Source: http://www.research.gold.org/prices/daily/

7.0 THE PRC GOLD INDUSTRY

The gold sector will remain bullish over the long-term, as the nation is believed to be the first major economy to rebound from the global recession. China's economy grew 7.9% in the second quarter after a Renminbi 4 trillion (USD586 billion) stimulus package resulting a recorded lending and consumption. The China's consumption is growing and thus driving the jewelry demand in China. It is the fact that Jewelry demand in China has expanded in the first quarter while dropping in India, which is the world largest gold consumer at the moment. Total demand from India in the first quarter fell severely 83% to 17.7 tons, from 107.2 tons a year earlier, according to the sources from World Gold Council. In contrast, purchases in China rose slightly 1.8% to 105.2 tons from 103.3 tons. Total Chinese demand for gold was six times that of India in the first quarter. In other words, China, the world largest gold producer, may overtake India to become the world's top gold consumer this year.

China official has revealed its gold holdings, which are 1,054 tons up from 600 tons in 2002, and also represents a 76% boost since 2003. The nation has become the world's fifth-largest gold reserves as mentioned by the State of Administration of Foreign Exchange. The nation increased its reserves mainly through domestic purchases and refining scrap metal. The amount surpasses the gold reserves of Switzerland's 1,040 tons, as indicated by World Gold Council, and is estimated to worth USD 31 billion. The bullion price will rise steadily in long run as the demand is growing continuously. Speaking in the public occasion, the vice general secretary of the China Gold Association, Hou Huimin, has tipped a rise in bullion price as the country should build its gold reserves to 5,000 tons from nationally economic strategic point of views. As it is widely believed that the world economy will be experiencing a stage of inflationary, holding foreign currencies as assets would be risky. It is reasonable that China should hold more gold than any other country because of China's international status and because of the financial crisis. Chinese Premier Wen Jiabao has expressed his concern publicly the dollar will be weaken, eroding the value of China's holdings of Treasuries, as the US imposing a very loose monetary policy to tackle the credit crisis. That means US dollar's value will be fluctuating materially in long run and it may retreat from being the international reserve money in the worst scenario. So holding gold as a primary asset will be at advantage and even diversify the risk in face of probable currency depreciation. In general, the prospect of gold sector is encouraging as the underlying fundamentals remain positive for this precious metal.

World official gold holding (March 2009)

Rank	Country	Gold	Gold's share of total forex reserves
		(tons)	*(%)*
1	United States	8,133.5	78.9%
2	Germany	3,412.6	71.5%
3	France	2,487.1	72.6%
4	Italy	2,451.8	66.5%
5	the People's Republic of China	1,054.0	0.9%
6	Switzerland	1,040.1	41.1%
7	Japan	765.2	2.2%
8	Netherlands	612.5	61.7%
9	Russia	523.7	4.0%
10	Taiwan	423.6	4.2%

Source: World Gold Council

8.0 MAJOR RISK FACTORS

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

Risks relating to gold industry and the No. 290 Gold Mine.

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

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

- The continuing success depends on the ability to continue developing gold resources.

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

- The business requires significant and continuous capital investment.

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

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

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

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

9.0 DEFINITION OF APPRAISAL

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

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

10.0 INVESTIGATION AND ANALYSIS

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

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

- The nature and the characteristics of the mine development plan such as the historical background and the ground work to develop the mining area;

- Technical review of the mining operations and resource/reserve estimation by the technical experts;

- Projections made by the Management;
- The nature of the exploration permit such as the remaining life and its characteristics;
- The economic and industry data affecting the mines and the mineral extraction industry in PRC; and
- The market-derived investment returns of similar business.

11.0 GENERAL APPRAISAL APPROACHES

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

11.1 Market-Based Approach

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

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

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

11.2 Asset-Based Approach

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

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

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

11.3 Income-Based Approach

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

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

12.0 APPRAISAL APPROACH FOR NO. 290 GOLD MINE

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

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

12.1 Discount Rate

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

This is a widely used and accepted method to determine market value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. To adopt this method, we must however, first obtain the cost of equity of the company as a basic discount rate. Since the No. 290 Gold Mine is privately owned, we can only obtain their cost of equity based on the capital asset pricing model (CAPM) using beta of its proxies.

We have considered the nature of business, associated risks and etc of the relevant comparables and concluded an equity beta as appropriate from the market data. From modern portfolio management perspective, a typical investor are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate.

Cost of equity = risk free rate + equity beta x market risk premium + country risk premium + size premium + industry risk premium + pre-operational risk

As at the Date of Appraisal, we have arrived an adjusted discount rate at 18.96%.

In addition, we have adopted a lack of marketability discount of 20% for the No. 290 Gold Mine as ownership interests in closely held companies are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

13.0 APPRAISAL ASSUMPTIONS

- We have relied on the Technical Report, business plan, mining schedules and legal opinions provided by the Management and we have no responsibility for the reliability of the advice;

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

- As per mining schedule prepared by the Management, the mining operation is estimated to last for up to 4 years with a total actual production of 4.69 tons. No. 290 Gold Mine will formally put into production on 2011. The total amount of gold produced from the mine as per business plan provided by the Management as follow:

– Year 2011	:	0.5 tons
– Year 2012	:	1.0 tons
– Year 2013	:	1.5 tons
– Year 2014	:	1.69 tons
Total	**:**	**4.69 tons**

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

- The Business Enterprise is able to renew the mining right from relevant legal authorities regularly in order to successfully achieve the proposed extraction phase and production scale;

- The Company successfully completed the mining project(s) and obtained the expected result within the investment horizon;

- The market sale price of the gold is referred to Shanghai Gold Exchange Au 9995 closing price on the Date of Appraisal. We have adopted yearly growth rate of 5.05% in respect of the market sale price from 2011 to 2014; the 5.05% is based on 20-year average yearly growth rate of gold price, which taking into consideration of a typical business cycle;

- The average production cost per gram over the planned extraction phase is about RMB63. The production cost growth is reference to historical long term China inflation at average growth rate of 5.07%;

- The No. 290 Gold Mine would maintain sufficient working capital to implement the scheduled exploration program and the operation of subject gold mine from time to time;

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

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

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

- The management of the No. 290 Gold Mine has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of serious statutory mining safety measures, geologic formation structurally deformed, soil erosion and other types of unexpected accident or natural disasters of catastrophes) to the scheduled mining operations;

- There exist reliable and adequate transportation network and capacity for the mining products; and
- The No. 290 Gold Mine can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the PRC government.

14.0 LIMITING CONDITIONS

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

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

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

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

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

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

We have not investigated the title to or any legal liabilities of the No. 290 Gold Mine and have assumed no responsibility for the title to the No. 290 Gold Mine appraised.

We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospecting and in particular the Technical Report and the business plan of the No. 290 Gold Mine provided to us.

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

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

15.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Renminbi.

16.0 OPINION OF VALUE

Based on the investigation, analysis and appraisal assumptions stated above and on the appraisal method employed, we are of the opinion that the market value for the 100% equity interest of the No. 290 Gold Mine, as at 22 July 2009 is in the sum of **RMB211,800,000 (RENMINBI TWO HUNDRED ELEVEN MILLION AND EIGHT HUNDRED THOUSAND ONLY**).

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Nick C. L. Kung
Registered Business Valuer of
HKBVF, MRICS, MHKIS, RPS (G.P.)
Director, Corporate Valuations

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

Set out below are the texts of the reports from HLB Hodgson Impey Cheng and Cinda International Capital Limited in connection with the cash flow forecasts underlying the valuation on the Target Mines as at 22 July 2009 and prepared for the purpose of inclusion in this Circular.

(A) REPORT FROM HLB HODGSON IMPEY CHENG

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

31 August 2009

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

Dear Sirs,

We have examined the arithmetical accuracy of the calculations of the discounted cash flow forecasts underlying the business valuation (the "Underlying Forecasts") in relation to the appraisal of the valuation of the Target Mines (as defined in the Circular), which is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Underlying Forecasts are set out in Appendix VA and VB to the Circular of Sino Prosper Holdings Limited (the "Company") dated 31 August 2009 (the "Circular").

Responsibilities

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

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We have examined the arithmetical accuracy of the calculations of the Underlying Forecasts. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecasts, so far as the arithmetical accuracy of the calculations are concerned, have been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Mines.

Opinion

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

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

(B) REPORT FROM CINDA INTERNATIONAL CAPITAL LIMITED

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

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

31 August 2009

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

Dear Sirs,

We refer to the discounted cash flow forecasts underlying the business valuation (the "Valuation") prepared by Norton Appraisals Limited ("Norton") in relation to the appraisal of the valuation of the Target Mines. The Valuation is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Listing Rules and the Valuation is set out in Appendix VA and VB to the circular of the Company dated 31 August 2009 (the "Circular"), of which this report forms part of. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have reviewed the forecasts upon which the Valuation has been made for which you as the Directors are solely responsible, and have discussed with you and Norton the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from HLB Hodgson Impey Cheng dated 31 August 2009 addressed to yourselves as set out in Section A of this Appendix to the Circular regarding the calculations upon which the forecasts have been made. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation relates only to cashflows.

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

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The information contained herein relating to the Company has been supplied by the Directors, who collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading insofar as it relates to the Company.

2. SHARE CAPITAL

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

Authorised:		*HK$*
20,000,000,000	Shares of HK$0.01 each	200,000,000
Issued and fully paid or credited as fully paid:		
1,627,393,158	Shares in issue as at the Latest Practicable Date	16,273,931.58
1,818,181,813	Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds as partial consideration for the Acquisition	18,181,818.13
3,445,574,971	Shares of HK$0.01 each	34,455,749.71

All the issued Shares should rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves. The Conversion Shares shall rank pari passu with all the Shares in issue in all aspects as at the date of allotment and issue of the Conversion Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

3. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules were as follows:–

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

	Capacity	Number of ordinary shares *(Note 1)*	Approximate percentage of total issued shares
Executive Directors:			
Mr. Leung	Interest of a controlled corporation	163,550,000 (L) *(Note 2)*	10.05%
Wong Wa Tak	Interest of a controlled corporation	1,600,000 (L) *(Note 3)*	0.10%

Notes:

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

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

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

(ii) Interest in options to subscribe for shares in the Company outstanding under the share option scheme of the Company adopted on 25 April 2002

Name	Capacity	Total number of underlying shares	Approximate percentage of shareholding *(Note 1)*
Mr. Leung	Beneficial owner	8,000,000 *(Note 2)*	0.49%
Yeung Kit	Beneficial owner	6,400,000 *(Note 3)*	0.39%
Chan Sing Fai	Beneficial owner	800,000 *(Note 4)*	0.05%
Wong Wa Tak	Interest of a controlled corporation	3,000,000 *(Note 5)*	0.18%
Cai Wei Lun	Beneficial owner	3,400,000 *(Note 6)*	0.21%

Notes:

1. This percentage is calculated on basis of 1,627,393,158 shares of the Company in issue as at the Latest Practicable Date but does not take into account of any shares which may fall to be allotted and issued upon the exercise of any options or warrants which remained outstanding as at the Latest Practicable Date.

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

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

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

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

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

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules.

(iii) Substantial Shareholders and other persons' interests and short position in shares and underlying shares

As at the Latest Practicable Date, the interests or short positions of persons, other than a Director or chief executive of the Company, in the shares or underlyings shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO are as follows:

Name of Shareholder	**Number of ordinary share/ underlying share** *(Note 1)*	**Capacity**	**Approximate percentage of shareholding** *(Note 2)*
Climax Park Limited	163,550,000 (L)	Beneficial owner *(Note 3)*	10.05%
Tsim Wing Kong	140,330,000 (L)	*(Note 4)*	8.62%

Notes:

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

2. This percentage is calculated on the basis of 1,627,393,158 shares of the Company in issue as at the Latest Practicable Date but does not take into account of any shares which may fall to be allotted and issued upon the exercise of any options or warrants which remained outstanding as at the Latest Practicable Date.

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

4. Such information was extracted from the individual substantial shareholder notice of Tsim Wing Kong filled on 21 August 2007 as shown on the website of the Stock Exchange. However, the capacity of which these 140,330,000 shares were held was not stated in such notice. According to the notice filed by Mr. Tsim, Ms. Tsim Chan Mee Yim, being his spouse, held the long position in 4,930,000 shares in the Company.

5. According to the information as shown on the website of the Stock Exchange, each of CMEC International Trading Import & Export Co., Ltd and China National Machinery & Equipment Import & Export Corporation was interested in 80,000,000 underlying shares of the Company as at the Latest Practicable Date.

Climax Park Limited granted a call option to CMEC International Trading Import & Export Co., Ltd. on 19 July 2005, pursuant to which CMEC International Trading Import & Export Co., Ltd. may require Climax Park Limited to sell to it up to 80,000,000 shares. CMEC International Trading Import & Export Co., Ltd. is a company incorporated in the PRC and wholly owned by China National Machinery & Equipment Import & Export Corporation. Under the SFO, China National Machinery & Equipment Import & Export Corporation was deemed to be interested in the underlying shares of the Company under the call option.

However, as the call option has lapsed on 19 July 2008, the call option is not shown in the table above.

Save as disclosed above, as at the Latest Practicable Date, no person, other than Directors whose interests are set out in the section headed "Directors' interests and short positions in shares" above, had interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

4. MATERIAL ADVERSE CHANGES

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

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no Director and his associates are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

6. DIRECTORS' INTEREST IN ASSETS

Other than the material contracts as stated in sub-paragraphs (a) to (h) under the paragraph headed "Material contracts" below in which Mr. Leung had direct or indirect interest, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of Enlarged Group since 31 March 2009, the date of which the latest audited financial statements of the Group were made up.

By an agreement dated 10 June 2008 (as amended and supplemented by certain supplemental agreement and extension agreements, as mentioned in the Company's announcement dated 11 May 2009) and entered into between Sino Prosper Minerals Investment Limited (a wholly owned subsidiary of the Company) as purchaser and the Vendor (the Chairman of the Company and an executive director) as vendor, it was agreed that Sino Prosper Minerals Investment Limited would purchase from the Vendor the entire issued share capital in, and the shareholder's loans to Agortex Development Limited on the terms and conditions stated therein. Such acquisition agreement was subsequently terminated by a termination deed dated 11 May 2009 and entered into by the same parties.

Save as disclosed above, none of the Directors had any interest, direct or indirect, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to, any member of the Group.

7. MATERIAL CONTRACTS

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

(a) the Acquisition Agreement;

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

(c) the articles of association of Target PRC dated 23 March 2009 entered into between Target HK, Gao Li Yan and Song Yang;

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

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

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

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

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

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

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

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

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

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

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

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

8. DIRECTORS' INTERESTS IN CONTRACTS

Details of the related party transactions are set out in note 32 to the financial statements of the Group for the year ended 31 March 2009 in Appendix I to this circular.

Save as disclosed above and in the paragraph headed "Management discussion and analysis on the Group" in Appendix I of this circular in relation to the 2008 Acquisition Agreement, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

9. DIRECTORS' SERVICE CONTRACTS

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

10. LITIGATION

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

There are no claims in relation to the exploration rights of the Target Mines made or notified either by third parties against any member of the Enlarged Group or vice versa.

11. EXPERTS' QUALIFICATION AND CONSENT

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

Name	Qualification
Cinda International Capital Limited	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Grand Cathay	A corporation licensed to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
SRK Consulting China Limited	Independent technical adviser
Norton Appraisals Limited	Independent valuer

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

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

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

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

12. GENERAL

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

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

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

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

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

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 1702-04, 17/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 25 September 2009.

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

(b) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(c) the letter from Grand Cathay containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(d) the annual reports of the Company for each of the three years ended 31 March 2009;

(e) the accountants' reports prepared by HLB Hodgson Impey Cheng on the Target BVI, Target HK and Target PRC, the text of which is set out in Appendix IIA, IIB and IIC to this circular;

(f) the letter prepared by HLB Hodgson Impey Cheng on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the technical report prepared by SRK Consulting China Limited, the text of which is set out in Appendix IV to this circular;

(h) the valuation report on the Target Mines prepared by Norton Appraisals Limited, the text of which is set out in Appendix VA and VB to this circular;

(i) the reports on forecasts underlying the valuation on the Target Mines prepared by HLB Hodgson Impey Cheng and Cinda International Capital Limited, the text of which is set out in Appendix VI to this circular;

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

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

(l) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this Appendix.

SINO PROSPER HOLDINGS LIMITED
中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 766)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Sino Prosper Holdings Limited ("Company") will be convened at 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on Friday, 25 September 2009 or shortly before or after such time, which falls immediately after the conclusion of the annual general meeting of the Company convened to be held on the same date and place at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution (with or without modifications):

'THAT

(a) the acquisition agreement ("Acquisition Agreement") dated 17 April 2009 and entered into between (i) Sino Prosper (States Gold) Investment Limited ("Sino Prosper SG"), a wholly-owned subsidiary of the Company as purchaser; and (ii) Mr. Leung Ngan Man ("Vendor"), the chairman and an executive director of the Company as vendor, in relation to the acquisition ("Acquisition") of the entire issued share capital of Nice Think Group Limited and all obligations, liabilities and debts owing or incurred by Nice Think Group Limited to Mr. Leung on or at any time prior to the completion of the Acquisition (copy of which Acquisition Agreement has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification), as set out in the circular ("Circular") of the Company dated 31 August 2009 (copy of which Circular has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby be and they are hereby approved;

(b) the issue of the Convertible Bonds (as defined in the Circular) in favour of the Vendor as part of the consideration for the Acquisition as set out in the Circular, on or subject to the terms of the Acquisition Agreement, be and it is hereby approved;

(c) the execution of the Promissory Note (as defined in the Circular) by Sino Prosper SG (or the Company (if mutually agreed by both parties)) in favour of the Vendor as part of the consideration for the Acquisition as set out in the Circular, on and subject to the terms and conditions of the Acquisition Agreement, be and it is hereby approved;

(d) the directors ("Directors") of the Company (or a duly authorised committee thereof) be and they are hereby authorised to allot and issue the Conversion Shares (as defined in the Circular) upon the exercise of the conversion rights attaching to the Convertible Bonds;

(e) the Directors (or a duly authorised committee thereof) be and they are hereby authorised to amend the terms and conditions of the Convertible Bonds before or after the issue of the Convertible Bonds as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company;

(f) the Directors (or a duly authorised committee thereof) be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps which, in the opinion of the Directors (or a duly authorised committee thereof), are necessary, appropriate, desirable or expedient to give effect to or implement the terms of the Acquisition Agreement, the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares and the execution of the Promissory Note or any of the transactions contemplated under the Acquisition Agreement and to agree such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.'

Yours faithfully,
By Order of the Board
Sino Prosper Holdings Limited
Yeung Kit
Executive Director

Hong Kong, 31 August 2009

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

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

Notes:

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

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

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

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

(5) In accordance with the Listing Rules, the Vendor and his associate shall abstain from voting on the resolution in relation to the Acquisition as set out in this notice and the resolution shall be voted on by way of a poll.

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