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SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED

中盈國金資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 766)

MAJOR TRANSACTION AND RESUMPTION OF TRADING

Financial adviser



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

Reference is made to the announcement of the Company dated 13 October 2009 in respect of the Framework Agreement.

MAJOR TRANSACTION

On 23 January 2010, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of: (i) the Sale Share (being the entire issued share capital of Target BVI); and (ii) the Sale Loan, at a total consideration of RMB147,000,000 (equivalent to approximately HK\$167,045,454) (subject to adjustment).

Upon Completion, Target BVI will become an indirect wholly-owned subsidiary of the Company and its consolidated accounts will be consolidated with that of the Group.

Details of the Acquisition, in particular the Target Group and the Target Mine, are set out in the main text below. **The attention of the Shareholders and potential investors of the Company is drawn to the potential investment risk in the Target Group including but not limited to the lack of track record of operation. Shareholders and the potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

The Acquisition constitutes a major transaction 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 reporting, announcement and shareholders' approval requirements under the Listing Rules.

The EGM will be held to consider and, if thought fit, pass the ordinary resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder. As no Shareholder has material interest in the Acquisition Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM. Any vote exercised by the Shareholders at the EGM shall be taken by poll.

GENERAL

A circular containing, among other matters, further details of the Acquisition and a notice convening the EGM, will be despatched to the Shareholders in compliance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 25 January 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 26 January 2010.

Reference is made to the announcement of the Company dated 13 October 2009 in respect of the Framework Agreement.

MAJOR TRANSACTION – THE ACQUISITION AGREEMENT

Date: 23 January 2010

Parties:

Purchaser: Sino Prosper Mineral Products Limited, a wholly-owned subsidiary of the Company and an investment holding company

Vendor: Hong Guang* (洪光)

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor is Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser 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, the Consideration of RMB147,000,000 (equivalent to approximately HK\$167,045,454) (subject to adjustment) shall be settled in the following manner:

- (i) HK\$3,000,000 shall be paid within three business days after the entering into the Acquisition Agreement by the Purchaser by way of cashier order (or other payment method agreed by both parties) to the Vendor (or other person nominated by the Vendor in writing) together with the RMB1 million deposit already paid by the Vendor to the PRC Company (or such other designated person) at the time of entering into the Framework Agreement which totaling RMB3,640,000 (equivalent to approximately HK\$4,136,364). The Vendor must apply the said deposit as shareholder's loan to Target BVI (then through Target HK) to inject into the PRC Company as registered capital;
- (ii) HK\$131,090,908 (part of the Consideration) shall be paid upon Completion by the Purchaser by way of cashier order (or bank transfer, or other payment method agreed by both parties) to the Vendor (or other person nominated by the Vendor in writing). The Vendor must apply HK\$4,954,545 (equivalent to approximately RMB4,360,000) out of the Consideration as shareholder's loan to Target BVI (then through Target HK) to inject into the PRC Company as registered capital; and
- (iii) HK\$31,818,182 shall be paid by the Purchaser to the Vendor by way of cashier order (or bank transfer, or other payment method agreed by both parties) after Completion and within 10 business days after obtaining the approvals relating to the change of the directors and the legal representative of the PRC Company from the relevant PRC governmental department(s), the registration of particulars contained in the business licence issued by the Administration for Industry and Commerce (which licence states the paid-up capital of the PRC Company to be RMB10,000,000) and the approval obtained from the Department of Commerce of Inner Mongolia Autonomous Region to increase the registered capital of the PRC Company to RMB50,000,000.

In the event that the amount of the Sale Loan comparing with the Consideration is: (a) smaller, the consideration of the Sale Loan should be equivalent to its face value and the consideration of the Sale Share should be equivalent to the Consideration minus the consideration of the Sale Loan; or (b) bigger, the consideration of the Sale Share should be RMB1 and the consideration of the Sale Loan should be equivalent to the amount of the Consideration minus RMB1.

Under the Acquisition Agreement, the Vendor and the Purchaser 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 the basis of normal commercial terms and arm's length negotiations by reference to, inter alia: (i) the opportunity for the Group to gain further access to the precious metals market in the PRC and to broaden the income base of the Group; (ii) the growth potential of the business of the PRC Company; and (iii) based on a preliminary report provided by an independent valuer, the valuation for the mining rights of Target Mine as at 5 January 2010 was RMB820 million (equivalent to approximately HK\$932 million), such preliminary valuation is subject to, among other matters, further physical inspection by the valuer and the valuer's formal valuation report.

The Consideration is subject to adjustment. In the event that the gold resources in Target Mine indicated in the mining report prepared by the mining adviser designated by the Purchaser to be less than 10 tonnes, i.e. condition numbered (h) under the section headed "Conditions Precedent" of this announcement, 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. The Group has appointed SRK Consulting China Ltd. to prepare a relevant technical report including, but not limited to the gold resources in the Target Mine. In addition, it is anticipated by both parties that Target HK will have injected a total amount of RMB7,000,000 ("**Committed Registered Capital**") into the PRC Company as registered capital up to the time of Completion. Should the Committed Registered Capital or any part thereof remain unpaid by Target HK by the time of Completion, the Purchaser shall have the right to withhold the Committed Registered Capital or any part thereof from the Consideration and shall only be responsible to pay the balance of the Consideration.

The 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.

The attention of the Shareholders and potential investors of the Company is drawn to the potential investment risk in the Target Group including but not limited to the lack of track record of operation. Shareholders and the potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Conditions precedent

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

- (a) all necessary consents and approvals required to be obtained on the part of the Target Group, the Vendor and the Purchaser in respect of the sale and purchase of the Sale Share and Sale Loan as contemplated under the Acquisition Agreement having been obtained;
- (b) the Vendor's warranties contained in the Acquisition Agreement remaining true, accurate, not misleading, not violated and no matter which brings to material adverse change in all respects from the date of the Acquisition Agreement and up to the Completion Date;

- (c) the delivery to the Purchaser of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the Acquisition Agreement and the transactions contemplated thereby;
- (d) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations (including without limitation the PRC Company has been duly established and validly subsisting, there exists no encumbrance, restriction and/or prejudice to the ownership of the material assets of the PRC Company, such as exploration and/or exploitation rights and the relevant mineral resources and the PRC Company has obtained all the necessary approvals, consents and/or permits in connection with its operation and subsistence) and affairs of the Target Group;
- (e) the completion of the Reorganisation (excluding the responsibility for the payment of the Committed Registered Capital by the Purchaser through the Target HK as contemplated under the Acquisition Agreement) and obtaining all the relevant consents, approvals and completion of registrations regarding the Reorganisation;
- (f) the Vendor having provided sufficient evidence to the Purchaser that the PRC Company has already released all the external subcontracting agreements in respect of the projects undertaken over the Target Mine (including but not limited to the exploitation contracts and exploration contracts) and the form and substance of release shall be satisfactory to the Purchaser and its PRC legal advisers;
- (g) there being no any debts and obligations due from the Target Group to any third party immediately before Completion (save for the shareholder's loan payable to the Vendor by the Target BVI, i.e. the Sale Loan);
- (h) the obtaining of a mining report (in the form and substance satisfactory to the Purchaser) from an adviser designated by the Purchaser showing the gold resources in the Target Mine to be not less than 10 tonnes; and
- (i) the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of a resolution to approve the Acquisition Agreement and the transactions contemplated hereunder.

The Purchaser has the right to waive all of the above conditions in part or in full, except for conditions numbered (a) and (i). In the event that the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 30 June 2010 or such later date as the Vendor and the Purchaser may agree in writing, the Acquisition Agreement shall cease and determine and neither party shall have any obligations towards each other, other than any antecedent breach and the Vendor has to refund the deposits (without interest) to the Purchaser within 2 months after the non-fulfillment of the above condition(s). The Directors confirm that as at the date of this announcement, 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.

Completion

Completion of the Acquisition shall take place on the Completion Date.

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

INFORMATION ON THE TARGET GROUP AND THE TARGET MINE

The Target Group

Target BVI is a company incorporated in the BVI and is wholly and beneficially owned by the Vendor. Target BVI is principally engaged in investment holding. The sole asset of Target BVI is the entire issued capital of Target HK, which is expected to contribute and own 70% of the registered and paid up capital of the PRC Company.

The remaining 30% registered and paid up capital of the PRC Company is expected to be contributed and owned by an Independent Third Party, 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). Immediately prior to 23 December 2009, the registered capital of the PRC Company was RMB1,000,000, which was contributed by its then existing shareholder. On 23 December 2009, the PRC Company obtained the approval from the Inner Mongolia Autonomous Region Government regarding the increase its registered capital from RMB1,000,000 to RMB10,000,000, of which Target HK is required to contribute RMB7,000,000 (equivalent to approximately HK\$7,954,545) and the existing shareholder of the PRC Company is required to contribute additional RMB2,000,000 (equivalent to approximately HK\$2,272,727), representing 70% and 30% interests of the increased registered capital of the PRC Company respectively ("**Reorganisation**"). Up to the date of the Acquisition Agreement, the paid-up capital of the PRC Company remained at RMB1,000,000.

The current business scope of the PRC Company includes the gold mine exploitation, selection of gold and sale of mineral products (which are permitted by law, rules and regulations, requirements by State Affairs Office of the PRC and cannot engage in those not allowed as said).

According to the unaudited financial statements of Target BVI prepared under the Hong Kong Financial Reporting Standards, the unaudited net losses (before and after taxation and extraordinary items) of Target BVI from 30 July 2009 (being its incorporation date) to 31 December 2009 were HK\$10,000 and the unaudited net liabilities of Target BVI as at 31 December 2009 were approximately HK\$9,992. According to the unaudited financial statements of Target HK prepared under the Hong Kong Financial Reporting Standards, the unaudited net losses (before and after taxation and extraordinary items) of Target HK from 22 October 2009 (being its incorporation date) to 31 December 2009 were HK\$17,400 and the unaudited net liabilities of Target HK as at 31 December 2009 were approximately HK\$17,399. According to the unaudited financial statements of the PRC Company prepared under the PRC Generally

Accepted Accounting Principles, the unaudited net losses (before and after taxation and extraordinary items) of the PRC Company in the year ended 31 December 2008 were approximately RMB842,633 (equivalent to approximately HK\$957,538), the unaudited net losses (before and after taxation and extraordinary items) of the PRC Company in the year ended 31 December 2009 were approximately RMB985,810 (equivalent to approximately HK\$1,120,239) and the unaudited net liabilities of the PRC Company as at 31 December 2009 were approximately RMB1,160,441 (equivalent to approximately HK\$1,318,683).

The Target Mine

The Target Mine is located at Gouliang Town, Aohanqi, Inner Mongolia Autonomous Region, the PRC* (中國內蒙古自治區敖漢旗溝梁鎮) with mining area amounting approximately 2.0732 sq. km.. The Mining Permit of the Target Mine held by the PRC Company for the mining of gold was granted by the Department of Land and Resources, Inner Mongolia Autonomous Region, the PRC and is valid from 31 May 2009 to 31 May 2012. The PRC Company has already owned an ore-processing plant with daily processing capacity of 50 tonnes. In addition, the Group has appointed China Changchun Gold Design Institute* (中國長春黃金設計院) to design the processing facilities so as to increase the daily processing capacity to 1,000 tonnes in the Target Mine and it is expected that the design report will be available within the first quarter of 2010.

The Mining Permit of the PRC Company may or may not be successfully renewed. If any of the said Mining Permit is not renewed, the value of the PRC Company could be adversely affected. Shareholders and investors of the Company are thus advised to exercise caution when dealing in the Shares.

REASONS FOR THE ACQUISITION

The Group is principally engaged in investment in energy, precious metals and resources related projects 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 further 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 at a high rate, 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 high returns to the Group.

Currently, the Company does not have any capital commitment in relation to the exploitation in the Target Mine. 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.

IMPLICATION OF THE ACQUISITION UNDER THE LISTING RULES

The Acquisition constitutes a major transaction 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 reporting, announcement and shareholders' approval requirements under the Listing Rules. The EGM will be held to consider and, if thought fit, pass the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder. To the best knowledge of the Directors, as at the date of this announcement, none of the Shareholder has material interests in the Acquisition, and therefore no Shareholder will be required to abstain from voting on the resolution approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM. Any vote exercised by the Shareholders at the EGM shall be taken by poll.

GENERAL INFORMATION

A circular containing, among other matters, further details of the Acquisition and a notice convening the EGM, will be despatched to the Shareholders in compliance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 25 January 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 26 January 2010.

PUBLICATION OF THE ANNOUNCEMENT

The announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and at the website of the Company www.sinoprospers.com.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“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 23 January 2010 and entered into between the Purchaser and the Vendor in respect of the Acquisition
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Circular”	the circular to be issued by the Company in relation to the Acquisition
“Company”	Sino Prosper State Gold Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	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 RMB147,000,000 (equivalent to approximately HK\$167,045,454) (subject to adjustment)

“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters mentioned in this announcement
“Framework Agreement”	a framework agreement entered into between Sino Prosper Mineral, the PRC Company and the existing shareholder of PRC Company on 13 October 2009 in relation to the Proposed Investment
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Permit”	the mining permit granted by the Department of Land and Resources, Inner Mongolia Autonomous Region, the PRC to the PRC Company for the mining of gold resources which is valid from 31 May 2009 to 31 May 2012
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	Ao Han Qi Xin Rui En Mineral Industry Co., Ltd.* (敖漢旗鑫瑞恩礦業有限責任公司), a limited liability company established in the PRC and in process to become a sino-foreign joint venture established under the PRC laws
“Proposed Investment”	the proposed investment by the Group in not less than 70% shareholding in the PRC Company, subject to the signing (and completion) of a formal investment agreement

“Purchaser” or “Sino Prosper Mineral”	Sino Prosper Mineral Products 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 Completion and as at the date of the Acquisition Agreement, amounted to approximately HK\$1.11 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
“Target BVI”	Favour South Limited, a company incorporated in the BVI, and at as the date of this announcement, wholly and beneficially owned by the Vendor
“Target HK”	Great Surplus Investment Limited, a company incorporated in Hong Kong and as at the date of this announcement, wholly and beneficially owned by Target BVI
“Target Group”	together with Target BVI, Target HK and the PRC Company
“Target Mine”	the mining area of approximately 2.0732 sq. km. of mining site located, at Gouliang Town, Aohanqi, Inner Mongolia Autonomous Region, the PRC* (中國內蒙古自治區敖漢旗溝梁鎮)
“Vendor”	Hong Guang* (洪光), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, is Independent Third Party

“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 kilometers
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.88 to HK\$1.

By order of the Board
Sino Prosper State Gold Resources Holdings Limited
Sung Kin Man
Chief Executive Officer & Executive Director

Hong Kong, 25 January 2010

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

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