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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)

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

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

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

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

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders by way of a poll for the transactions contemplated under the 2010 Acquisition Agreement, including, amongst other things, the 2010 Acquisition. In accordance with the Listing Rules, any vote at the EGM shall be taken by poll. As at the date of this announcement, neither the Vendors nor the Target PRC held any Shares and, so far as the Directors are aware, no Shareholder was required to abstain from voting at the EGM.

A circular containing, among other matters, further details of the 2010 Acquisition and the 2010 Acquisition Agreement, the recommendation of the Independent Board Committee to the independent Shareholders in relation to the 2010 Acquisition and the 2010 Acquisition Agreement, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2010 Acquisition Agreement and a notice convening the EGM, will be despatched to the Shareholders in compliance with the Listing Rules.

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 28 April 2009 and the circular of the Company dated 31 August 2009 in relation to the 2009 Acquisition. In September 2009, completion of the 2009 Acquisition took place and the Target PRC has since then become a 65% indirectly held subsidiary of the Company. On 17 May 2010 (after trading hours), the Purchaser entered into the 2010 Acquisition Agreement with the Vendors, pursuant to which the Purchaser has agreed to acquire from the Vendors further 27% equity interest in the Target PRC, subject to and on the conditions and terms of the 2010 Acquisition Agreement.

## **THE 2010 ACQUISITION AGREEMENT**

**Date:** 17 May 2010 (after trading hours)

**Parties:**

**Purchaser:** Victor Bright Investment Limited (維嘉投資有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Company

**Vendors:** the First Vendor and the Second Vendor

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

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

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

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

### **Assets to be acquired**

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

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

Currently, the registered capital and the total investment of Target PRC are RMB5.7 million (equivalent to approximately HK\$6.48 million) and RMB8.1 million (equivalent to approximately HK\$9.20 million) respectively. Under the new joint venture agreement to be made between the Purchaser and the First Vendor upon completion of the 2010 Acquisition Agreement, after completion of the 2010 Acquisition, the registered capital of Target PRC will be increased to RMB50 million (equivalent to approximately HK\$56.8 million) and the investment amount will be increased to RMB100 million (equivalent to approximately HK\$113.6 million). Under such new joint venture agreement to be made, the Purchaser (i.e. the Group) will be solely responsible for the contribution of the additional registered capital of RMB44.3 million (equivalent to approximately HK\$50.3 million) or any increase in additional registered capital in the Target PRC. Despite dilution to the equity interest held by the First Vendor in the Target PRC as a result of the increase of registered capital by the Purchaser after completion of the 2010 Acquisition, it is a term under the 2010 Acquisition Agreement and the said new joint venture agreement to be made between the Purchaser and the First Vendor that, unless otherwise agreed by the joint venture parties to such joint venture agreement, the First Vendor and the Purchaser shall share the attributable profit of the Target PRC in the proportion of 92% and 8% respectively.

## **Consideration and payment**

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

- (i) an aggregate of RMB19 million will be settled within two months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement, of which RMB9.15 million will be payable to the First Vendor and RMB9.85 million will be payable to the Second Vendor; and
- (ii) an aggregate of RMB5 million will be settled within three months after the date of issue of the revised business licence which records the change of shareholders as contemplated by the 2010 Acquisition Agreement, of which RMB2.41 million will be payable to the First Vendor and RMB2.59 million will be payable to the Second Vendor.

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

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

- (i) is within the band of 90% and 110% of the consideration as stated in the 2010 Acquisition Agreement, the consideration for the 2010 Acquisition will not be subject to any adjustment; or
- (ii) represents 110% or more of the consideration as stated in the 2010 Acquisition Agreement, the Purchaser has the right to terminate the 2010 Acquisition Agreement and such termination shall not be considered as any breach of the 2010 Acquisition Agreement. The relevant parties may then further negotiate, re-determine the consideration and re-enter into a new acquisition agreement or a supplemental agreement to the 2010 Acquisition Agreement.

## **Conditions precedent**

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

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

- (ii) the Target PRC having obtained the approval from the relevant authority(ies) for the 2010 Acquisition and the related new joint venture contract and articles of association; and
- (iii) all necessary consents and approvals required to be obtained in respect of the 2010 Acquisition Agreement and the transactions contemplated thereby.

## **Completion**

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

## **INFORMATION ON THE TARGET PRC**

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

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

At the time of the 2009 Acquisition, the Target PRC is the holder of the mining rights of three mines in Hulin City, Heilongjiang Province, the PRC. Details of these three mines are set out in the circular of the Company dated 31 August 2009 in relation to the 2009 Acquisition. As disclosed in the announcements of the Company dated 12 November 2009 and 11 May 2010, the Target PRC obtained on 27 October 2009 additional exploration permits in respect of two copper and poly-metal mines. The two copper and poly-metal mines are located in Xinancha, Hulin City, Heilongjiang Province, the PRC and Sanchalu, Hulin City, Heilongjiang Province, the PRC respectively, with area of approximately 76 sq. km and 92 sq. km respectively. Including the then exploration permits of three mines held by the Target PRC at the time of the 2009 Acquisition, the Target PRC has exploration permits of a total of 5 mines with total mining area of approximately 365 sq. km.

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

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

## **REASONS FOR AND BENEFITS OF THE 2010 ACQUISITION**

The Group has been principally engaged in investment in energy and resources related projects and production of raw materials for power generation and construction of highways in the PRC. The 2009 Acquisition as detailed in the announcement and the circular of the Company dated 28 April 2009 and 31 August 2009 respectively was completed.

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

The 2010 Acquisition will be funded by the Group's internal resources and the proceedings arising from the placing as mentioned in the Company's announcement dated 12 March 2010. After taking into consideration of the benefits of the 2010 Acquisition, the Board (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) is of the opinion that the terms of the 2010 Acquisition are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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

The Independent Board Committee will be established to consider the 2010 Acquisition and to advise the Independent Shareholders in relation to the terms of the 2010 Acquisition and on how to vote. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the 2010 Acquisition.

## **EGM**

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders by way of a poll for the transactions contemplated under the 2010 Acquisition Agreement, including, amongst other things, the 2010 Acquisition. In accordance with the Listing Rules, any vote at the EGM shall be taken by poll. As at the date of this announcement, neither the Vendors nor the Target PRC held any Shares and, so far as the Directors are aware, no Shareholder was required to abstain from voting at the EGM.

## **GENERAL INFORMATION**

A circular containing, among other matters, further details of the 2010 Acquisition and the 2010 Acquisition Agreement, the recommendation of the Independent Board Committee to the independent Shareholders in relation to the 2010 Acquisition and the 2010 Acquisition Agreement, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2010 Acquisition Agreement and a notice convening the EGM, will be despatched to the Shareholders in compliance with the Listing Rules.



## TERMS USED IN THIS ANNOUNCEMENT

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

“2009 Acquisition”	the acquisition of, the amongst others, the entire issued capital of Nice Think Group Limited and the Purchaser as well as 65% equity interest in the Target PRC, by the Group from Mr. Leung at a total consideration of RMB360 million (equivalent to HK\$409.1 million) pursuant to the terms and conditions of the acquisition agreement entered into between the Group and Mr. Leung dated 17 April 2009
“2010 Acquisition”	the acquisition by the Company from the Vendors of an aggregate of 27% equity interest in the Target PRC pursuant to the terms and conditions of the 2010 Acquisition Agreement
“2010 Acquisition Agreement”	the agreement dated 17 May 2010 and entered into between the Purchaser and the Vendors in respect of the 2010 Acquisition
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Sino Prosper State Gold Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters mentioned in this announcement
“First Vendor”	Ms. Gao Liyan (高麗艷), one of the joint venture partners to the Target PRC holding 21% equity interest in the Target PRC



“Group”	the Company and its subsidiaries
“HLJ Mines”	(i) the three “Target Mines” which are located at Hulin City, Heilongjiang Province, the PRC, and have occupy a total site area of about 196 square kilometers (further details of which are set out in the Company’s circular dated 31 August 2009), and (ii) the two mines which are located at Hulin City, Heilongjiang Province, the PRC, the exploration permits in respect of which were subsequently obtained by the Target PRC (brief details of which are mentioned in the Company’s announcements dated 12 November 2009 and 11 May 2010)
“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 Shareholders”	Shareholders other than the Vendor and his associates
“Independent Third Party”	a person who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“JORC”	Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Leung”	Mr. Leung Ngai Man, the Chairman of the Company and an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Victor Bright Investment Limited (維嘉投資有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Company and the purchaser named under the 2010 Acquisition Agreement
“Second Vendor”	Mr. Song Yang (宋陽), one of the joint venture partners to the Target PRC holding 14% equity interest in the Target PRC

“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 PRC”	黑龍江中誼偉業經貿有限公司 (Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.), was a non-state-owned enterprise and has become an equity joint venture established under the PRC laws on 1 April 2009
“Two New Mines”	two copper and poly-metal mines are located in Xinancha, Hulin City, Heilongjiang Province, the PRC and Sanchalu, Hulin City, Heilongjiang Province, the PRC , the exploration permits in respect of which were subsequently obtained by the Target PRC after the 2009 Acquisition (brief details of which are mentioned in the Company’s announcements dated 12 November 2009)
“Vendors”	the First Vendor and the Second Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. km.”	square 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**  
**Yeung Kit**  
*Executive Director*

Hong Kong, 17 May 2010

*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.*