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SINO PROSPER HOLDINGS LIMITED

中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(stock code: 766)

MAJOR TRANSACTION COMPLETION OF SUBSCRIPTION OF NEW SHARES UNUSUAL TRADING VOLUME MOVEMENT AND RESUMPTION OF TRADING

THE AGREEMENT

On 28 March 2006, SPCL, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which SPCL agrees to acquire from the Vendors (i) the Sale Shares, representing the entire issued share capital of Sky Gain, at a consideration of HK\$479,968,600; and (ii) the Sale Debts at the consideration of HK\$1.00. Upon Completion, SPCL will be legally and beneficially interested in the entire issued share capital of Sky Gain which is the legal and beneficial owner of 51% of the registered capital in Xinjiang Jingxin Mineral. Xinjiang Jingxin Mineral is a sino-foreign equity joint venture enterprise and is principally engaged in coal mining development in Xinjiang, the PRC. It has been granted the PRC mining resources exploration permit (中華人民共和國礦產資源勘查許可證) issued by Xinjiang Uygur Autonomous Region Land and Resources Office (新疆維吾爾自治區國土資源廳) which allows Xinjiang Jingxin Mineral to conduct prospecting activities in the Site.

The respective considerations for the Sale Shares of HK\$479,968,600 and the Sale Debts of HK\$1.00 were arrived at after arm's length negotiations among SPCL and the Vendors. **As the Completion is subject to a number of conditions precedent, the Acquisition may or may not proceed. The Shareholders and the public should exercise caution when dealing in the securities of the Company.**

The Acquisition constitutes a major transaction for the Company for the purpose of the Listing Rules. The Acquisition and the transactions contemplated under the Agreement (including but not limited to the allotment and issue of the Consideration Shares) will be subject to approval by the Shareholders at the EGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Stock Exchange. To the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM. A circular containing, among other things, (i) a notice convening the EGM to approve the Acquisition, the Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares; (ii) further information relating to the Agreement and the Acquisition and the grant of the specific mandate for the allotment and issue of the Consideration Shares; (iii) the financial information of the Group and Sky Gain; and (iv) summary of the project evaluation report prepared by LCH (Asia-Pacific) Surveyors Limited, an independent qualified appraiser in Hong Kong appointed by the Company in respect of the exploration project proposed by Xinjiang Jingxin Mineral, will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

COMPLETION OF SUBSCRIPTION OF NEW SHARES

As all the conditions precedent of the Subscription Agreement (as defined below) entered into between the Company and Beijing CMIL as disclosed in the Announcement have been fulfilled, the Board is pleased to announce that completion of the Subscription Agreement took place on 27 April 2006.

UNUSUAL TRADING VOLUME MOVEMENT

The Board noted that there was an unusual movement in the trading volume of the Shares on 23 March 2006 (being the last trading day of the Shares before suspension). The Board wishes to inform the Shareholders that the Company is not aware of any reason for such unusual movements save for the information as disclosed in this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 24 March 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 May 2006.

References are made to the Announcement. Pursuant to the Memorandum of Understanding, it was proposed that SPCL would invest in Xinjiang Jingxin Mineral so as to obtain the controlling equity interest in the registered capital of Xinjiang Jingxin Mineral. Xinjiang Jingxin Mineral is a company established in the PRC on 7 July 2005 and is principally engaged in coal mining development in Xinjiang, the PRC. On 28 March 2006, SPCL entered into the Agreement with the Vendors, pursuant to which SPCL agrees to acquire from the Vendors the Sale Shares and the Sale Debts in Sky Gain, which is the legal and beneficial owner of 51% of the registered capital in Xinjiang Jingxin Mineral. The details of the Agreement are as follows.

THE AGREEMENT**Date**

28 March 2006

Parties

- (a) SPCL, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company (as purchaser)
- (b) (i) Ample Pacific; and (ii) On Faith (both as vendors)
- (c) Mr. Chen Man Fai, Steven, the sole beneficial owner of On Faith, and Mr. Li Ming Han, the sole beneficial owner of Ample Pacific (both as guarantors). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Chen and Mr. Li are not ordinary residents in the PRC.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors, their respective ultimate beneficial owners and each of the Guarantors is third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the terms of the Agreement, SPCL agrees to acquire from the Vendors (i) the Sale Shares; and (ii) the Sales Debts subject to the fulfillment of the conditions described below.

The Sale Shares, being 10 issued ordinary shares of HK\$1.00 each in the issued capital of Sky Gain, representing the entire issued share capital of Sky Gain as at the date of this announcement. The 10 Sale Shares are owned as to seven Sale Shares by Ample Pacific and three Sale Shares by On Faith.

The Sale Debts represent the face value of the shareholders' loans outstanding as at the date of Completion made by or on behalf of the Vendors to Sky Gain. Pursuant to the terms of the Agreement, in the event of any debts or liabilities become owing by Sky Gain to any third parties as at the date of Completion, such amounts owing by Sky Gain shall be settled in full by the Vendors on behalf of Sky Gain on the date of Completion and shall constitute part of the Sale Debts. The Vendors shall upon Completion assign their title, right, benefit and interest in the entire Sale Debts (if any) to SPCL absolutely free from all encumbrances. As at 31 March 2006, the face value of all debts and liabilities of Sky Gain amounted to approximately HK\$5.1 million.

As at the date of this announcement, Sky Gain is legally and beneficially interested in 51% of the registered capital in Xinjiang Jingxin Mineral. Further details on Xinjiang Jingxin Mineral are set out in the section headed "Information about Sky Gain and Xinjiang Jingxin Mineral" below in this announcement.

Consideration

The consideration for the acquisition of the Sale Shares shall be HK\$479,968,600 (subject however to the adjustment as referred to in paragraph (3) below) and each of the Vendors will be entitled to its share of consideration in proportion to their respective shareholding in Sky Gain. Such consideration shall be satisfied by SPCL in the following manner:

- (1) as part of the consideration for the acquisition of the Sale Shares, HK\$71 million will be payable upon Completion by SPCL procuring the Company to allot and issue, credited as fully paid at an issue price of HK\$1.42 per new Share, of an aggregate of 50,000,000 Consideration Shares, of which (i) 35,000,000 Consideration Shares will be allotted and issued to Ample Pacific or its nominees; and (ii) 15,000,000 Consideration Shares will be allotted and issued to On Faith or its nominees;
- (2) as part of the consideration for the acquisition of the Sale Shares, HK\$160 million will be payable in cash by SPCL to Ample Pacific (for itself and as receiving agent for On Faith) or their respective nominees within 90 days after the date of Completion; and
- (3) as to the remaining balance of HK\$248,968,600, will be payable within 14 business days after the grant and issue of the mining exploitation permit (採礦許可証) from the competent governmental authority in the PRC to Xinjiang Jingxin Mineral and on such terms and conditions reasonably acceptable to SPCL, by SPCL procuring the Company to allot and issue, credited as fully paid at an issue price of HK\$1.42 per new Share, of an aggregate of 175,330,000 Consideration Shares, of which (i) 122,731,000 Consideration Shares will be allotted and issued to Ample Pacific or its nominees, and (ii) 52,599,000 Consideration Shares will be allotted and issued to On Faith or its nominees, provided that, if SPCL has not been provided with evidence to its satisfaction as to the grant and issue of the mining exploitation permit (採礦許可証) from the competent governmental authority in the PRC in favour of Xinjiang Jingxin Mineral as mentioned above on or before 5:00 p.m. on 30 June 2007, the balance of the consideration for the acquisition of the Sale Shares as referred to in this sub-paragraph shall cease to be payable by SPCL, and the amount of the consideration for the acquisition of the Sale Shares shall be deemed to have been adjusted and reduced to HK\$231 million.

The consideration for the acquisition of the Sale Debts of HK\$1.00 shall be satisfied by SPCL in cash upon Completion.

A sum of HK\$50 million in cash, being earnest money (“**Earnest Money**”), has been paid by the Group to Ample Pacific (for itself and as receiving agent for On Faith) or its nominee upon signing of the Agreement. Such Earnest Money will be refunded to SPCL (or other members of the Group as it may direct) without interest within 60 days after the date of Completion. In the event that the Agreement is terminated, each of the Vendors shall, within seven business days after the date of such termination, repay to SPCL (or its nominee) an amount equivalent to the Earnest Money, together with interest which shall accrue at the prevailing best lending rate of The Hongkong and Shanghai Banking Corporation from the date of payment of the Earnest Money up to and inclusive of the date of repayment of the entire sum of the Earnest Money.

The issue price of HK\$1.42 per Consideration Share represents:

- (i) a premium of approximately 4.4% to the closing price of the Shares of HK\$1.36 on 23 March 2006, being the last trading day immediately before the publication of this announcement;
- (ii) a premium of approximately 10.1% to the 5-day average closing price of the Shares of approximately HK\$1.29 taking into account the trading days immediately before the publication of this announcement; and
- (iii) a premium of approximately 10.1% to the 10-day average closing price of the Shares of approximately HK\$1.29 taking into account the trading days immediately before the publication of this announcement.

The Consideration Shares represents approximately 18.79% of the existing issued share capital of the Company and approximately 15.82% of the then issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Company will seek a specific mandate from the Shareholders for the issue of the Consideration Shares at the EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares which will rank *pari passu* with the existing Shares. There is no provision under the Agreement which restricts or otherwise imposes any obligations to the Vendors or the allottees of the Consideration Shares in respect of the subsequent sale or disposal of the Consideration Shares.

The Company intends to finance the consideration for the Acquisition (except for the Consideration Shares) by internal financial resources.

The consideration for the Acquisition was arrived at after arm's length negotiations between SPCL and the Vendors and taking into account, amongst others, (i) a preliminary project evaluation of the exploration project proposed by Xinjiang Jingxin Mineral, if successful, which ranged from RMB1.2 billion to RMB1.6 billion as indicated by LCH (Asia-Pacific) Surveyors Limited, the independent qualified appraiser in Hong Kong appointed by the Company, dated 24 March 2006 (the evaluation will be confirmed in a project evaluation report to be prepared by it). Under the preliminary project evaluation, LCH (Asia-Pacific) Surveyors Limited has considered several conventional capital investment evaluation techniques, namely the payback period, the rate of return method and the discounted cash flows method and, among these techniques, discounted cash flows method was used in estimating the financial net present value of the proposed project on the basis of continued use and as part of a going concern business of Xinjiang Jingxin Mineral; (ii) the intrinsic economic resource reserve of the coal mine (to which the PRC mining resources exploration permit (中華人民共和國礦產資源勘查許可證) obtained by Xinjiang Jingxin Mineral relates) of approximately 100 million tonnes according to the General Exploration Design for Heiyanquan Coal Mine in Barkol Kazak Autonomous County (新疆巴里坤哈薩克自治縣黑眼泉煤礦普查地質設計) prepared by the Coalfield Exploration Team in December 2005; and (iii) the various agreements entered into between Xinjiang Jingxin Mineral and the contractors/coal product purchaser as disclosed in the section headed "Information about Sky Gain and Xinjiang Jingxin Mineral" below, which would facilitate the exploration work of the Site and secure the sale of the coal product developed from the Site. The basis in respect of the issue price of the Consideration Shares was determined between SPCL and the Vendors after arm's length negotiations with reference to, among other things, the Company's share price performance at the time when the Agreement was entered into among SPCL and the Vendors.

Based on information provided by the Vendors, the Coalfield Exploration Team is an exploration team established in 1956 which specialise in geology, hydrology exploration and surveying. The Coalfield Exploration Team has obtained Geology Exploration Entity Qualification Certificate (地質勘查資質證書) issued by the Xinjiang Uygur Autonomous Region Land and Resources Office (新疆維吾爾自治區國土資源廳) in 2005 which provides the Coalfield Exploration Team the requisite qualifications for preparing and issuing the said General Exploration Design for Heiyanquan Coal Mine in Barkol Kazak Autonomous County, and conducting the geological exploration program for the Site pursuant to an exploration contract dated 27 March 2006 entered into between Xinjiang Jingxin Mineral and the Coalfield Exploration Team. Currently, the Coalfield Exploration Team comprises of 470 staff, of which 141 persons are specialised in geological prospecting, including 9 senior engineers (including senior economists and accountants), 29 engineers (including economists and accountants) and about 83 technical persons.

Conditions of the Agreement

Completion of the Agreement is conditional upon:

- (1) there being no matter adversely affecting the legal standing or continued existence of any member of Sky Gain and Xinjiang Jingxin Mineral or their abilities to continue to carry on their ordinary businesses;
- (2) the legal opinion to be issued before Completion by the PRC lawyers acceptable to SPCL in the agreed form covering such matters (including without limitation the due establishment and subsistence of Xinjiang Jingxin Mineral, legality of Sky Gain's interest in Xinjiang Jingxin Mineral, the legality of the Acquisition and the legality and validity of the PRC mining resources exploration permit (中華人民共和國礦產資源勘查許可證) obtained by Xinjiang Jingxin Mineral and the material contracts entered by Xinjiang Jingxin Mineral) in such form and substance to the satisfaction of SPCL having been obtained;
- (3) SPCL being satisfied with the results of the due diligence of Sky Gain and Xinjiang Jingxin Mineral's assets, liabilities, activities, operations, prospects and affairs as it may consider appropriate;
- (4) none of the warranties in the Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (5) (if required) all approvals, consents, authorisations and licences in relation to the transactions contemplated under the Agreement having been obtained from the relevant governmental authorities or other third parties;
- (6) the approval by the Shareholders (or, as the case may be, the independent Shareholders) at the EGM of the Agreement and the transactions contemplated under the Agreement (including but not limited to the allotment and issue of the Consideration Shares) and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (7) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares on the Stock Exchange; and
- (8) the Board approving the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

The obtaining of project evaluation report to be prepared by LCH (Asia-Pacific) Surveyors Limited is not a condition to the Completion. As advised by the Directors, the project evaluation report will cover (i) the historical background of the ground work for the proposed project; (ii) the project cost as contained in the proposed project; (iii) technical evaluation of the proposed exploration program; (iv) financial evaluation of the project proposal; and (v) the assumptions and factors considered in the financial evaluation.

In relation to condition (5) above, as advised by the Company's PRC legal advisers, it is not necessary to obtain any approval from, or otherwise to comply with any registration requirement with, any PRC governmental authority in respect of the execution and implementation of the Agreement.

SPCL may at any time waive in writing the conditions set out in above (including the obtaining of the PRC legal opinion in such form and substance to the satisfaction of SPCL) other than those set out under (5) to (7) above. The Directors have no intention to waive the condition in relation to the obtaining of the PRC legal opinion as set out under (2) above. If any of the conditions set out under (1) to (8) above have not been satisfied (or, as the case may be, waived by SPCL) on or before 12:00 noon on 30 July 2006 or such later date as SPCL may agree, the Agreement shall cease and determine.

Completion

Subject to the satisfaction of all conditions in the Agreement, Completion shall take place on the fifth business day falling on the date of all the conditions set out above are fulfilled.

Guarantee

The Guarantors have jointly and severally agreed to guarantee the performance of the Vendors' respective obligations under the Agreement.

INFORMATION ABOUT SKY GAIN AND XINJIANG JINGXIN MINERAL

Information about Sky Gain

Sky Gain is an investment holding company incorporated in Hong Kong on 18 March 2004 and legally and beneficially owned as to 70% by Ample Pacific and 30% by On Faith. Sky Gain is the legal and beneficial owner of 51% of the registered capital in Xinjiang Jingxin Mineral. Pursuant to an equity transfer agreement dated 29 September 2005 entered into between 中廣信達資產管理有限公司 (Zhongguang Xinda Asset Management Co., Ltd.) ("Zhongguang Xinda"), a PRC limited liability company (domestic joint venture) and the former majority shareholder of Xinjiang Jingxin Mineral, and Sky Gain as superseded by another equity transfer agreement dated 3 January 2006, Sky Gain agreed to acquire 51% shareholding of Xinjiang Jingxin Mineral from Zhongguang Xinda at a consideration of RMB5.1 million. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zhongguang Xinda is a third party independent of the Company and its connected persons and independent of the Vendors and their respective ultimate beneficial owners.

The unaudited net liabilities of Sky Gain as at 31 March 2005 was approximately HK\$7,000 and the unaudited consolidated net asset of Sky Gain as at 31 March 2006 was approximately HK\$4.5 million. The unaudited net losses of Sky Gain before and after taxation and extraordinary items for the year ended 31 March 2005 were approximately HK\$7,000 and HK\$7,000 respectively. The unaudited consolidated net losses of Sky Gain before and after taxation and extraordinary items and before minority interest for the year ended 31 March 2006 were approximately HK\$43,000 and HK\$43,000 respectively.

Information about Xinjiang Jingxin Mineral

Corporate information

Xinjiang Jingxin Mineral is a company established on 7 July 2005 in the PRC and having an economic status of a sino-foreign equity joint venture enterprise and is currently owned as to 51% by Sky Gain and the remaining 49% by four third parties which are independent of the Company and its connected persons and independent of the Vendors and their respective ultimate beneficial owners. Based on information and representation given by the Vendors, save for the Vendors' interest in Sky Gain, neither the Vendors nor their respective ultimate beneficial owners have any other interest in Xinjiang Jingxin Mineral. Xinjiang Jingxin Mineral is principally engaged in coal mining development in Xinjiang, the PRC.

Coal exploration

Xinjiang Jingxin Mineral has obtained the PRC mining resources exploration permit (中華人民共和國礦產資源勘查許可證) issued by Xinjiang Uygur Autonomous Region Land and Resources Office (新疆維吾爾自治區國土資源廳) on 3 September 2005 which allows Xinjiang Jingxin Mineral to conduct prospecting activities in the Site. The PRC mining resources exploration permit shall be valid until 3 September 2006 and Xinjiang Jingxin Mineral may apply for the renewal thereof upon its expiry. As represented by the Vendors under the Agreement, they are not aware of any circumstance which may result in such permit not being renewed upon its expiry. The Company's PRC legal advisers also advised that, based on information reviewed thereby, there is no legal impediment for the renewal of the PRC mining resources exploration permit upon its expiry. After Completion, SPCL will procure Xinjiang Jingxin Mineral to apply for the renewal of the PRC mining resources exploration permit upon its expiry in September 2006.

The Site is located at Barkol Kazak Autonomous County, Hami District, the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區哈密地區巴里坤哈薩克自治縣) in the PRC with an area of approximately 37.25 square kilometres. About 600 square kilometres to western side of the Site is the city of Urumqi, about 130 square kilometres to southeast side of the Site is the city of Hami District, and the northern side of the Site is the State of Mongolia. The Site is in the Barkol mining district within Hami coal power base, which is an area under The Eleventh Five-Year development plan of the coal mining industry of the Autonomous Region submitted by the government of the Autonomous Region to the State Development and Reform Commission, the PRC.

Coking coal is the principal raw materials used by petrification, iron and steel, and metallurgy enterprises. Xinjiang Jingxin Mineral proposes to conduct a geological exploration program within the Site, with the intent to obtain rights for the development of the coal mine in the Site. The proposed geological exploration program is presented in a document titled General Exploration Design for Heiyanquan Coal Mine in Barkol Kazak Autonomous County (新疆巴里坤哈薩克自治縣黑眼泉煤礦普查地質設計) prepared by the Coalfield Exploration Team. Such proposed geological exploration program has begun in April 2006 and to be completed in December 2006. Xinjiang Jingxin Mineral expected that all the necessary approvals from the authorities will be received by early 2007, the construction of the coal mine will be completed by 2008 and the mining operation will start simultaneously and be normalised by 2009 onwards.

To facilitate the development of the coal mine in the Site, Xinjiang Jingxin Mineral had entered into an exploration contract with the Coalfield Exploration Team on 27 March 2006, pursuant to which Xinjiang Jingxin Mineral appointed the Coalfield Exploration Team to conduct the general and detailed geological exploration programs for the Site. Under the contract, Xinjiang Jingxin Mineral will pay the Coalfield Exploration Team a project fee of approximately RMB4.7 million, of which approximately RMB2.5 million will be charged for carrying out the general geological exploration program and approximately RMB2.2 million will be charged for carrying out the detailed geological exploration program.

As advised by the Company's PRC legal advisers, under the prevailing PRC laws and regulations, upon completion of the exploration works, Xinjiang Jingxin Mineral will be required, among other requirements, to obtain the approval of its environmental impact evaluation reports, to pass the final examination by the safe operation supervisory authorities in respect of the safety facilities available at the Site for the purpose of applying for the mining exploitation permit. In addition, Xinjiang Jingxin Mineral is also required to apply for a production safety licence (安全生產許可証) and coal production licence (煤炭生產許可証). Xinjiang Jingxin Mineral must also appoint a competent person with the requisite knowledge pertaining the safety operations of the coal mine and with the requisite head of coal mine qualification certificate (礦長資格証) as the head of the coal mine in the Site.

Xinjiang Jingxin Mineral had entered into a contractor agreement with Xinjiang Urumqi Mining dated 17 November 2005, pursuant to which Xinjiang Urumqi Mining was appointed as the chief contractor to design, construct, manage and develop the coal mine in the Site and provide guarantee for the fund/bank loan guarantee required for the construction of the coal mine which expected to have annual capacity of 1.8 million tones. It is expected that the aforesaid construction work will be commenced after completion of the exploration works and Xinjiang Jingxin Mineral obtained the mining exploitation permit (採礦許可証). Based on the aforesaid expected annual capacity, the Directors preliminarily estimate that the total investment cost for the development and construction of the coal mine will be approximately RMB387 million. As advised by the Directors, it is currently intended that such investment cost will be funded by bank financing or other financing and internal resources of Xinjiang Jingxin Mineral at that time.

The Directors expect that the most significant costs which need to be incurred by Xinjiang Jingxin Mineral before the commencement of the coal production will be the coal exploration fees payable thereby to the Coalfield Exploration Team and the investment cost for the construction of the coal mine as disclosed above.

For the project related to the Site, Xinjiang Jingxin Mineral had entered into cooperative agreements with following enterprises:

- (a) an exploration contract dated 27 March 2006 and entered into with the Coalfield Exploration Team as disclosed in the paragraph above. Pursuant to such contract, the Coalfield Exploration Team was appointed to conduct a general and a detail geological exploration program for the Site;
- (b) a contractor agreement dated 17 November 2005 entered with Xinjiang Urumqi Mining, pursuant to which Xinjiang Urumqi Mining was appointed as the chief contractor to design, construct, manage and develop the coal mine in the Site (with an annual output capability of 1.8 million tonnes of coal) as disclosed in the paragraph above and provide guarantee for the fund/bank loan guarantee required in respect of any fund raising and bank financing for the construction of coal mine in the Site after Xinjiang Jingxin Mineral obtaining the requisite PRC mining resources exploration permit and the mining exploitation permit in respect of the Site; and
- (c) a master purchase contract dated 23 November 2005 entered into with Xinjiang Tianye, pursuant to which Xinjiang Tianye agreed to develop the Site as the main coal supply base for Xinjiang Jingxin Mineral's polythene factory and agreed to purchase 1.5 million tonnes coal products developed in the Site annually from Xinjiang Jingxin Mineral after the commencement of the development of the Site at the prevailing market price.

As advised by the Company's PRC legal advisers, save for the master purchase agreement as referred to in (c) above which merely recorded the principal intentions and understandings of the parties thereof in relation to the supplies of the coal products to be developed in the Site, the other cooperative agreements are binding on the parties thereof in accordance with their respective terms.

Financial information of Xinjiang Jingxin Mineral

According to the unaudited consolidated accounts of Xinjiang Jingxin Mineral for the period commencing from 7 July 2005 (being date of establishment) to 31 December 2005, which were prepared in accordance with PRC GAAP, the unaudited net assets of Xinjiang Jingxin Mineral as at 31 December 2005 was approximately RMB9.7 million (equivalent to approximately HK\$9.3 million). Xinjiang Jingxin Mineral has recorded an unaudited loss of approximately RMB0.3 million (equivalent to approximately HK\$0.3 million) for the year ended 31 December 2005.

Risk factors

Set out below are the risk factors relating to the Acquisition:—

1. There is no assurance that the amount of coal reserve actually available on the Site will be as much as the current estimation and in the event that the amount of coal reserve is less than current estimation, the revenue and profit that can be generated from the project will be adversely affected.
2. Xinjiang Jingxin Mineral may not be able to obtain the requisite mining exploitation permit and other requisite licences for commencing and operating its coal exploitation business, and Xinjiang Jingxin Mineral may need to incur additional expenses to fulfil the requisite requirement for obtaining such licence/permit. In addition, any change in laws and policy may affect Xinjiang Jingxin Mineral's ability or cost involved for obtaining such licence/permit.
3. The profits generated from the coal mine on the Site are subject to the cyclical nature of the domestic and international coal market which are affected by numerous factors beyond the Group's control, for example, general economic conditions in the PRC and elsewhere in the world, milder or severer normal weather conditions, fluctuations in the development and growth of industries with a high demand of coal. The selling price of coal and the margin will depend on market supply and demand forces in the domestic and international coal markets.
4. The coal industry in the PRC is subject to extensive regulation by the PRC government. The operations under the coal mine can be materially and adversely affected by any future changes in the government regulations and policies.
5. Coal mine operations are subject to applicable laws and regulations in the PRC regarding, among others, environmental protection and operation safety. The expenditure for compliance of these laws and regulations will increase if the relevant laws and regulations become more stringent as a result of any change of laws and regulations.
6. The operations of the coal mines are carried out in the PRC. Any adverse changes in economic policy and legal development in the PRC will affect the revenue and profitability of the project.

REASONS FOR THE ACQUISITION

The Group is principally engaged in investment in energy and resources related projects and investment in production of raw materials for power generation and construction of highways in the PRC and other countries. The Group has been seeking various opportunities with an aim to diversify the variety of its business. Given that the great demand for coal derived from power generation, petrifaction, steel and metal metallurgy industry in the PRC, it is the Directors' intention to further expand its natural exploitation (energy) business into this enormous market. The Directors consider that the Acquisition is a good investment opportunity by allowing the Group to enhance its participation in the PRC resources market. Therefore, the Directors consider the Acquisition will be beneficial to the business of the Group.

The Directors confirm that the terms and conditions of the Agreement had been negotiated on an arm's length basis and were agreed on normal commercial terms between the parties. The Directors consider that the terms of the Agreement are fair and reasonable insofar as the Shareholders are concerned and are beneficial to the Company. The Directors are of the view that the Agreement is in the interests of the Company and the Shareholders as a whole. After Completion, Sky Gain and Xinjiang Jingxin Mineral will be accounted for as subsidiaries of the Company.

The Directors consider that the Acquisition is a project investment of the Group and the Group is still focusing on its existing businesses of investment in energy and resources related projects in the PRC and Indonesia.

As Completion is subject to a number of conditions precedent, the Acquisition may or may not proceed. The Shareholders and the public should exercise caution in dealing in the securities of the Company. Further announcement will be made by the Company in the event that the Acquisition will not proceed.

CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,199,263,158 Shares in issue. Based on the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance and as far as is known to the Directors, and on the assumption that there will not be any other change in the shareholdings prior to the allotment and issue of all Consideration Shares, the shareholding structure of the Company after the allotment and issue of the Consideration Shares is as follows:

Name of Shareholder	At the date of this announcement		Immediately after Completion and issuance of 50,000,000 Consideration Shares		Immediately after Completion and issuance of remaining 175,330,000 Consideration Shares	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Climax Park Limited (Note 1)	380,330,000	31.71	380,330,000	30.44	380,330,000	26.70
Deutsche Bank Aktiengesellschaft	153,000,000	12.76	153,000,000	12.25	153,000,000	10.74
Ample Pacific	–	–	35,000,000	2.80	157,731,000	11.07
On Faith	–	–	15,000,000	1.20	67,599,000	4.75
Beijing CMIL	49,763,158	4.15	49,763,158	3.98	49,763,158	3.49
Public	616,170,000	51.38	616,170,000	49.33	616,170,000	43.25
Total	<u>1,199,263,158</u>	<u>100.00</u>	<u>1,249,263,158</u>	<u>100.00</u>	<u>1,424,593,158</u>	<u>100.00</u>

Note: These Shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Leung Ngai Man, the Chairman and an executive Director of the Company.

GENERAL

The Acquisition constitutes a major transaction for the Company for the purpose of the Listing Rules. The Acquisition and the transactions contemplated under the Agreement (including but not limited to the allotment and issue of the Consideration Shares) will be subject to approval by the Shareholders at the EGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares. To the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM.

The Company will comply with Chapter 18 of the Listing Rules and include the requisite information in the circular of the Company. A circular containing, among other things, (i) a notice convening the EGM to approve the Acquisition, the Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares; (ii) further information relating to the Agreement and the Acquisition and the grant of the specific mandate for the allotment and issue of the Consideration Shares; (iii) the financial information of the Group and Sky Gain; and (iv) summary of the project evaluation report prepared by LCH (Asia-Pacific) Surveyors Limited, an independent qualified appraiser in Hong Kong appointed by the Company in respect of the exploration project proposed by Xinjiang Jingxin Mineral, will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

COMPLETION OF SUBSCRIPTION OF NEW SHARES

References are made to the Announcement. As all the conditions precedent of the subscription agreement dated 24 January 2006 (“**Subscription Agreement**”) entered into between the Company and Beijing CMIL as disclosed in the Announcement have been fulfilled, the Board is pleased to announce that completion of the Subscription Agreement took place on 27 April 2006.

A total of 49,763,158 new Shares subscribed by Beijing CMIL (“**Subscription Shares**”) pursuant to the Subscription Agreement have been allotted and issued to Beijing CMIL at the subscription price of HK\$0.80 per Subscription Share on 27 April 2006.

The 49,763,158 Subscription Shares represent approximately 4.33% of the issued share capital of the Company immediately before completion of the subscription and approximately 4.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Directors confirm that there was no introduction of substantial shareholder as a result of the completion of the subscription by Beijing CMIL.

Use of proceeds

As stated in the Announcement, the Company intends to apply the net proceeds of the subscription of about HK\$39.4 million as general working capital of the Group and investment funding to the Group on possible investment projects.

UNUSUAL TRADING VOLUME MOVEMENT

The Board has noted that there was an unusual movement in the trading volume of the Shares on 23 March 2006 (being the last trading day of the Shares before suspension) and wishes to state that the Board is not aware of any reason for such unusual movements save for the information disclosed in this announcement. Save as disclosed above, the Board confirms that there are no negotiations or agreement relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 24 March 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 May 2006.

DEFINITIONS

“Acquisition”	acquisition of the Sale Shares and Sale Debts by SPCL pursuant to the terms of the Agreement
“Agreement”	the conditional agreement dated 28 March 2006 entered into between SPCL as purchaser, Ample Pacific and On Faith as vendors and the Guarantors as guarantors in relation to the Acquisition
“Ample Pacific”	Ample Pacific Group Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, holding seven Sale Shares (representing 70% of the issued share capital of Sky Gain).
“Announcement”	announcement of the Company dated 3 February 2006 in relation to, among other matters, the proposed investment in Xinjiang Jingxin Mineral by SPCL and the subscription of new Shares by Beijing CMIL
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing CMIL”	北京中冶投資有限公司 (Beijing China Metallurgical Investment Co. Ltd.*), a company incorporated in the PRC with limited liability, the subscriber of 49,763,158 new Shares as disclosed in the Announcement

“Board”	the board of Directors
“business day”	any day (excluding a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Coalfield Exploration Team”	Coalfield Exploration Team 156 of Xinjiang Coalfield Geology Bureau, Xinjiang Uygur Autonomous Region (新疆維吾爾自治區煤田地質局一五六煤田地質勘探隊)
“Company”	Sino Prosper Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Agreement
“connected person”	has the same meaning as ascribed in the Listing Rules
“Consideration Shares”	an aggregate of 225,330,000 new shares to be issued by the Company at an issue price of HK\$1.42 per new Share as part of the consideration for the Acquisition
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, amongst other things, the Acquisition, the Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Chen Man Fai, Steven and Mr. Li Ming Han, being the guarantors to the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the memorandum of understanding dated 20 January 2006 entered into between SPCL and Xinjiang Jingxin Mineral setting out the basic understanding in relation to the proposed investment in Xinjiang Jingxin Mineral by SPCL
“On Faith”	On Faith Group Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, holding three Sale Shares (representing 30% of the issued share capital of Sky Gain).
“PRC”	the People’s Republic of China
“PRC GAAP”	the general accepted accounting principles, standards, practices and policies applicable to enterprises established in the PRC
“Sale Debts”	such amount as equals to 100% of the face value of the loans outstanding as at Completion made by or on behalf of the Vendors to Sky Gain
“Sale Shares”	10 ordinary issued shares of HK\$1.00 each in the issued share capital of Sky Gain, being the entire issued share capital of Sky Gain
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Site”	the site at Barkol Kazak Autonomous County, Hami District, the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區哈密地區巴里坤哈薩克自治縣) in the PRC with an area of approximately 37.25 square kilometers
“Sky Gain”	Sky Gain Development Limited, a company incorporated in Hong Kong on 18 March 2004 with limited liability and beneficially owned as to 70% by Ample Pacific and 30% by On Faith

“SPCL”	Sino Prosper Coal Mining Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Ample Pacific and On Faith
“Xinjiang Jingxin Mineral”	新疆京新礦業開發有限公司(Xinjiang Jingxin Mineral Development Company Limited*), a company established in the PRC on 7 July 2005 and is owned as to 51% by Sky Gain and 49% by four third parties independent of the Company and its connected persons
“Xinjiang Tianye”	新疆天業(集團)有限公司(Xinjiang Tianye (Holdings) Limited*)
“Xinjiang Urumqi Mining”	新疆烏魯木齊礦業(集團)有限責任公司 (Xinjiang Urumqi Mining (Holdings) Limited*), a company established in the PRC with limited liability and a subsidiary of a state-owned company, Shenhua Group Corporation Limited (神華集團有限責任公司)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

In this announcement, the exchange rate of HK\$1.00 to RMB1.04 is used. However, it does not constitute a representation that any amount has been or may be exchanged at this or other rates at all.

By order of the Board of
Sino Prosper Holdings Limited
Tang Yan Tian
Chief Executive Officer

Hong Kong, 4 May 2006

As at the date of this announcement, Mr. Leung Ngai Man, Mr. Yeung Kit, Mr. Wong Wa Tak and Mr. Tang Yan Tian are the executive Directors, and Mr. Chan Sing Fai, Mr. Cai Wei Lun and Mr. Leung Wai Cheung are the independent non-executive Directors.

** for identification purpose only*

Please also refer to the published version of this announcement in International Herald Tribune.