THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Properties Investment Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Properties Investment Holdings Limited.

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Financial Adviser to China Properties Investment Holdings Limited

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

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

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from the board of directors of the Company is set out from pages 7 to 38 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Acquisition pursuant to the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) is set out on page 39 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition pursuant to the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) is set out from pages 40 to 67 of this circular.

A notice convening the special general meeting of the Company to be held at 10:00 a.m. on Friday, 8 October 2010 at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong or any adjournment is set out from pages 264 to 265 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting of the Company should you so wish.

This circular will remain on the "Listed Company Information" page of the website of the Stock Exchange and the website of the Company for at least 7 days from the date of its posting.

17 September 2010

* *For identification purposes only*

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
"Addendum"	the addendum to the MOU dated 8 April 2010 in relation to the Acquisition
"Announcements"	the announcements of the Company dated 27 August 2010 and 8 September 2010 respectively in relation to the Acquisition
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Beijing Company"	北京海創天元貿易有限公司 (Beijing Hai Chong Tianyuan Trading Co., Ltd.*), a company incorporated in the PRC with limited liability and is wholly-owned by the Shanghai Company
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours
"Capital Reorganisation"	the proposed capital reorganisation of the Company which was announced by the Company on 9 September 2010 and is expected to become effective on 11 October 2010
"Citigain"	Citigain Holdings Limited (裕創集團有限公司*), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Main Pacific
"Company" or "Purchaser"	China Properties Investment Holdings Limited (中國置業投資控股有限公司*), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange, being the purchaser of the Acquisition under the Sale and Purchase Agreement
"Competent Person"	Roma Oil & Mining Associates Limited, being the person with the requisite qualifications for preparing the Competent Person's Report under the Listing Rules

"Competent Person's Report"	the technical report prepared by the Competent Person regarding the resources and/or reserves of the Mine under the Listing Rules
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
"Confirmation Letter"	the confirmation letter entered into between the parties to the MOU on 22 June 2010 in relation to, among other things, the extension of the MOU
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the total consideration of HK$300 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
"Conversion Price"	HK$0.085 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Sale and Purchases Agreement and the terms of the Convertible Bonds
"Conversion Share(s)"	2,470,588,235 new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to all the Convertible Bonds at the initial Conversion Price
"Convertible Bonds"	the convertible redeemable bonds in the principal amount of HK$210 million to be issued by the Company to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after the Completion
"Feasibility Study Report"	a feasibility study report incorporating a pre-feasibility study report prepared by the Competent Person regarding the viability of the mining activity in the Mine and the future business of the Mining Company
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Yang

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Acquisition
"Independent Financial Adviser"	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than the Vendor, Gold Trinity International Limited, Mr. Han Wei and their respective associates
"Independent Third Parties"	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Last Trading Day"	18 August 2010, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the announcement of the Company dated 27 August 2010 regrading the Sale and Purchase Agreement
"Latest Practicable Date"	14 September 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	18 August 2011, being one year from the execution of the Sale and Purchase Agreement, or such later date as the relevant parties to the Sale and Purchase Agreement may agree in writing
"Main Pacific"	Main Pacific Group Limited (萬豐集團有限公司*), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company

"Mine"	克什克騰旗大地礦業有限公司永勝礦區銅、鉬、鉛、鋅、銀礦, a copper and molybdenum mine located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮)
"Mining Company"	克什克騰旗大地礦業有限責任公司 (Keshi Ketengqi Great Land Mine Industries Company Limited*), a company incorporated in the PRC with limited liability and is owned as to 60% by Shanghai Jiyi and as to 40% by Beijing Company
"Mining License"	the mining license no. 1500000820591 held by the Mining Company under which the Mining Company shall have the right to conduct mining and exploitation works for copper and molybdenum in the Mine
"MOU"	the memorandum of understanding dated 24 March 2010 entered into by the Company and the Vendor in relation to the Acquisition
"Mr. Yang"	Mr. Yang WenHua (楊文華), being the sole director of the Target Company
"PRC"	the People's Republic of China
"Previous Acquisition"	the acquisition of the entire issued share capital of Main Pacific by the Company as announced by the Company on 11 June 2009
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition entered into among the Purchaser, the Vendor and the Guarantor on 18 August 2010
"Sale Shares"	one share of US$1 each in the issued share capital of the Target Company, representing its entire issued share capital as at the date of this announcement
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	a special general meeting of the Company to be convened on 8 October 2010 to consider and, if thought fit, approve the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder by the Independent Shareholders

"Shanghai Company"	上海躍寶商貿有限公司 (Shanghai Yue Bao Trade Co., Ltd.*), a company incorporated in the PRC with limited liability and is wholly-owned by the Shenzhen Company
"Shanghai Jiyi"	上海吉譯實業有限公司 (Shanghai Jiyi Shiye Limited Company*), a company incorporated in the PRC with limited liability and a 85% owned subsidiary of Shanghai Zhuoheng
"Shanghai Zhuoheng"	上海卓衡實業有限公司 (Shanghai Zhuoheng Shiye Limited Company*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shenzhen Dingyu
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company and before the Capital Reorganisation becoming effective
"Share Consolidation"	the share consolidation of every five (5) issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company into one (1) Share which became effective on 12 July 2010
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen Company"	東滙原科技(深圳)有限公司 (Dong Hui Yuan Technology (Shenzhen) Co., Ltd.*), a company incorporated in the PRC with limited liability and is wholly-owned by Sinowood
"Shenzhen Dingyu"	鼎裕投資諮詢(深圳)有限公司 (Dingyu Investment Consulting (Shenzhen) Limited Company*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Citigain
"Sinowood"	東滙集團有限公司* (Sinowood Holdings Limited), a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company
"Star Lucky" or "Vendor"	Star Lucky Group Limited (星光集團有限公司*), the sole shareholder of the Target Company and an investment holding company incorporated in the British Virgin Islands with limited liability, being the vendor of the Acquisition under the Sale and Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Supplemental Agreement"	an agreement dated 8 September 2010 entered into among the parties to the Sale and Purchase Agreement and as supplement to the Sale and Purchase Agreement
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
"Target Company"	Universe Prosper Limited (宇昌有限公司*), a company incorporated in the British Virgins Island with limited liability and is wholly-owned by the Vendor
"Target Group"	comprising the Target Company, Sinowood, the Shenzhen Company, the Shanghai Company, the Beijing Company and the Mining Company
"Valuation"	the market value of 100% equity interest in the Mining Company as estimated by the Valuer
"Valuation Report"	the valuation report prepared by the Valuer regarding the Valuation
"Valuer"	Roma Appraisals Limited, being the independent valuer undertaking the Valuation under the Listing Rules
"Xinyuan Mining"	克什克騰旗鑫元礦業有限責任公司 (Keshe Ketengqi Xinyuan Mining Limited Company*), a company incorporated in the PRC with limited liability
"km^2"	square kilometer(s)
"m"	meter
"t"	tonne(s)
"%"	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of RMB1.00:HK$1.142. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

* *for identification purposes only*

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

Executive Directors:
Mr. Xu Dong
Mr. Au Tat On

Non-executive Director:
Ms. Yu Wai Fong

Independent non-executive Directors:
Mr. Lam Man Yui
Mr. Lai Wai Yin, Wilson
Ms. Cao Jie Min

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 2001, 20/F.
Lippo Centre, Tower Two
89 Queensway Road
Hong Kong

17 September 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcements regarding the Sale and Purchase Agreement, the Supplemental Agreement and the Acquisition.

Further to the entering into of the MOU, the Addendum and the Confirmation Letter on 24 March 2010, 8 April 2010 and 22 June 2010, respectively, the Company (as the Purchaser) entered into the Sale and Purchase Agreement with the Vendor regarding the Acquisition on 18 August 2010 (after trading hours). Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Share at the Consideration of HK$300 million.

On 8 September 2010, the Purchaser, the Vendor and Mr. Yang further entered into the Supplemental Agreement in relation to the provision of the Loan (as being defined in the latter section of this letter) by Mr. Yang to the Beijing Company, and the unconditional assignment of the Loan by Mr. Yang to the Purchaser (the "**Loan Assignment**") at nil consideration. The Loan Assignment is acknowledged by the Beijing Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement, the Supplemental Agreement and the Acquisition; and (ii) a notice of SGM at which resolution(s) will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

THE SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Set out below are the principal terms of the Sale and Purchase Agreement and the Supplemental Agreement:

Date:

18 August 2010 and 8 September 2010

Parties involved:

Purchaser

The Company

Vendor

Star Lucky, being the sole shareholder of the Target Company, is an investment holding company incorporated in the British Virgin Islands on 2 July 2009 with limited liability. The Vendor is legally and beneficially owned as to 100% by Mr. Yang, who is also the sole director of the Vendor.

Mr. Yang is the sole director of the Target Company as well as Sinowood. Mr. Yang is also an executive director of the Shenzhen Company and the Beijing Company.

The Vendor, through its wholly-owned subsidiaries, is a substantial shareholder of the Mining Company (which as aforementioned is an indirect 51% owned subsidiary of the Company) and thus is a connected person of the Company under the Listing Rules.

Save as the above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor, Mr. Yang and their respective associates are third parties independent of the Company and the Company's connected persons. Furthermore, each of the Vendor, Mr. Yang and their respective associates is not a party acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save and except for the 113,207,861 Shares and the HK$27 million worth of convertible bonds convertible into Shares held by Mr. Han Wei through Gold Trinity International Limited; the Vendor, Mr. Yang, Mr Han Wei and their respective associates do not hold any Shares or other convertible securities in the Company.

Guarantor

Mr. Yang

Mr. Yang, as the primary obligor (but not merely as a guarantor), as continuing security, unconditionally and irrevocably guarantees to the Purchaser that the Vendor shall pursuant to the Sale and Purchase Agreement duly and punctually perform and observe its obligations under the Sale and Purchase Agreement and pay all the money payable by the Vendor. The Guarantor also undertakes to the Purchaser that the Guarantor shall procure the Vendor to observe its obligations (whether expressed or implied) under the Sale and Purchase Agreement, including but not limited to the guarantee given by the Vendor.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company. The shareholding structure of the Target Group is included under the section headed "Shareholding Charts" of this letter. The principal asset of the Target Group is the Mining License held by the Mining Company.

On 31 December 2009, the Beijing Company (before subsequently becoming an indirect wholly-owned subsidiary of the Target Company) entered into an agreement to acquire 40% equity interest in the Mining Company from Xinyuan Mining, which save as being the then substantial shareholder of the Mining Company, is not connected with the Company and the Company's connected persons. The original cost of the Mining Company to the Beijing Company was RMB27 million (equivalent to approximately HK$30.83 million) (the "**Original Cost**").

In order to repay the debt incurred by the Beijing Company to finance the Original Cost, the Beijing Company entered into a loan agreement with Mr. Yang on 30 August 2010 (the "**Loan Agreement**"), pursuant to which Mr. Yang agreed to provide a loan of RMB27 million (equivalent to approximately HK$30.83 million) to the Beijing Company (the "**Loan**").

The Consideration:

Pursuant to the Sale and Purchase Agreement, the Consideration of HK$300 million shall be settled by the Company in the following manner:

(i) HK$48.50 million by cash payable by the Company upon performance of a due diligence review to the satisfaction of the Purchaser in an absolute discretion basis, as refundable deposit. A further portion of the refundable cash deposit in the sum of HK$41.50 million will be paid by the Company within thirty Business Days (or any later date as agreed by the parties to the Sale and Purchase Agreement) of the execution of the Sale and Purchase Agreement; and

(ii) after deduction of the said deposit, the remaining HK$210 million by the issue of the Convertible Bonds in the principal amount of HK$210 million at the Conversion Price of HK$0.085 per Conversion Share within one month upon Completion to the Vendor.

The initial deposit of HK$48.50 million and the further deposit of HK$41.50 million were paid by the Company to the Vendor on 8 April 2010 and 20 August 2010 respectively and were financed by (i) the top-up placing and subscription of 510,000,000 shares of the Company before the Share Consolidation, under the top-up placing agreement and the subscription agreement dated 26 March 2010; (ii) the new share placing of 90,000,000 shares of the Company before the Share Consolidation under the new placing agreement dated 26 March 2010 as stated in the announcement of the Company dated 26 March 2010; (iii) the placing and subscription of 500,000,000 shares of the Company before the Share Consolidation under the placing agreement and the subscription agreement dated 27 May 2010 as stated in the announcement of the Company dated 27 May 2010; (iv) the placing and subscription of 500,000,000 shares of the Company before the Share Consolidation under the placing agreement and the subscription agreement dated 14 June 2010 as stated in the announcement of the Company dated 14 June 2010; and (v) the placing and subscription of 100,000,000 Shares under the placing agreement and the subscription agreement dated 5 August 2010 and the placing of 180,000,000 Shares under the new shares placing agreement dated 5 August 2010 as stated in the announcement of the Company dated 5 August 2010.

Basis of the Consideration:

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations, taking into account the followings:

(i) the preliminary Valuation of approximately RMB741 million as at 31 March 2010 by the Valuer, as set out in the draft Valuation Report;

(ii) the latest market statistics and future prospects of the non-ferrous metals industry; and

(iii) the payment method of the Consideration.

The Valuer has applied the income approach, which was prepared with reference to the Feasibility Study Report and the Competent Person's Report, for the Valuation. Further details of the Feasibility Study Report are set forth in the latter section of this letter; whilst the full text of the Competent Person's Report and the Valuation Report are included in Appendices V and VI to this circular respectively. There had been no material change since the effective date of the Competent Person's Report up to the Latest Practicable Date.

Based on the Vendor's understanding, since (i) there was no valuation conducted on the Mining Company for the acquisition of 40% equity interest in the Mining Company by the Beijing Company from Xinyuan Mining (the "**Acquisition by Beijing Company**") when the relevant memorandum of understanding (the "**Beijing Company MOU**") which stipulated that the purchase cost should be in the range of RMB25 million to RMB28 million was signed in December 2008; whilst the Consideration was determined with reference to the preliminary Valuation; (ii) the Beijing Company MOU was negotiated and entered into during the time of global financial crisis when the price of non-ferrous metals were generally decreasing; and (iii) the terms (including but not limited to the payment term) of the Acquisition by Beijing Company and the Acquisition are different, there is an increment of the Consideration when compared with the Original Cost.

The Beijing Company MOU was non-legally binding and had a validity period of two years from the date of signing of the same. Based also on the Vendor's understanding, the Beijing Company and Xinyuan Mining have been in prolong good relationship and the Beijing Company had assisted Xinyuan Mining in renewing the then expired Mining License. For these reasons, Xinyuan Mining had always decided to continue with the Acquisition by Beijing Company although the Beijing Company MOU was non-legally binding. On the other hand, given that the Board began to contemplate the acquisition of additional equity interest in the Mining Company in March 2010 (after the Acquisition by Beijing Company was completed), the Company could not approach Xinyuan Mining directly for its proposed acquisition of the Mining Company.

Having considered the above, together with the fact that (i) the Acquisition will provide an opportunity for the Group to penetrate further into the non-ferrous metals industry with an aim of strengthening the income base of the Group, and thereby enhancing the Group's future financial performance and profitability; (ii) the Acquisition would allow the Company to possess control over the entire board of directors of the Mining Company while the Consideration is comparable with the consideration under the Previous Acquisition; (iii) the latest market statistics and future prospects of the non-ferrous metals industry as set forth under the latter section of this letter; (iv) the Consideration represents a discount of approximately 11% to RMB296.40 million of the Valuation, being the portion attributable to the 40% effective equity interest in the Mining Company; and (v) a significant portion of the Consideration shall be satisfied by the issue of the Convertible Bonds, the Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) consider that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Board composition of the Mining Company:

According to the Company's PRC legal advisers, the Mining Company is currently managed by a board of three directors. Shanghai Jiyi and the Beijing Company are empowered to appoint two and one director(s) of the Mining Company respectively. Upon Completion, the Mining Company will become an indirect 91% owned subsidiary of the Company and the Company shall have control over the entire board of directors of the Mining Company.

Conditions precedent:

Pursuant to the Sale and Purchase Agreement and the Supplemental Agreement, completion of the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled or waived in writing, including but not limited to:

(i) the Company having obtained a PRC legal opinion (in such form and substance satisfactory to the Company) from a qualified PRC legal adviser appointed by the Company. The PRC legal opinion should confirm, inter alia, the legality of the Sale and Purchase Agreement and of the Company's interest in the Target Group and each of the companies in the Target Group upon Completion;

(ii) the Company having obtained a Competent Person's Report from an independent competent person (in such form and substance satisfactory to the Company), showing the resources and reserves of the Mine;

(iii) the Company having obtained a Valuation Report from an independent valuer (in such form and substance satisfactory to the Company), showing that the market value of 100% equity interest in the Mining Company is not less than RMB740 million;

(iv) the Company having obtained a Feasibility Study Report from an independent qualified expert (in such form and substance satisfactory to the Company);

(v) the Company, its agent or professional advisers being satisfied with the results of the due diligence review on the Target Group (in relation to legal, accounting, finance, operation or any other matters in the Company's opinion being important);

(vi) the Vendor having obtained all approvals, confirmations, waivers or consents in respect of the Sale and Purchase Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over the Vendor or other relevant third parties (if so required by the relevant legislations);

(vii) the approval from the Bermuda Monetary Authority to allot and issue the Conversion Shares (if required);

(viii) the Independent Shareholders having in the SGM approved the Sale and Purchase Agreement, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds and all transactions contemplated thereunder in accordance of the bye-laws of the Company and the Listing Rules;

(ix) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Conversion Shares whether subject to conditions or not;

(x) the Company being satisfied, from the date of signing of the Sale and Purchase Agreement and at any time before Completion, that the representations, warranties and undertakings given under the Sale and Purchase Agreement remain true, accurate, not misleading or in breach in any material respect and that no event have suggested that there were any material change in such representations, warranties and undertakings;

(xi) the Company not having discovered or known that from the date of signing of the Sale and Purchase Agreement till Completion, there being any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group;

(xii) the provision of the Loan by Mr. Yang to the Beijing Company for repayment of the debt incurred by the Beijing Company to finance the Original Cost;

(xiii) the actual injection of the Loan by Mr. Yang into the Beijing Company pursuant to the Loan Agreement and the Beijing Company's subsequent repayment of the entire debt incurred by itself to finance the Original Cost before the Completion; and

(xiv) Mr. Yang having irrevocably and unconditionally (a) assigned the Loan to the Purchaser without reducing the Consideration; and (b) forfeited the rights to claim any expenses, interests, damages or other claims under the Loan.

The Vendor undertakes to employ its reasonable endeavours to co-operate with the Company in complying with the conditions precedents (i) to (vi) and (x) and (xi) above within the time stipulated above (as applicable) including but not limited to making all necessary applications and submitting relevant information to the Stock Exchange and the Securities and Futures Commission in time. The Company undertakes to use its reasonable endeavours to cause clauses (vii), (viii) and (ix) above to be complied with within the time stipulated (as applicable) (including but not limited to making all necessary applications and submitting the relevant information to the Stock Exchange and the Securities and Futures Commission in time).

The Company shall have the right to waive in writing the conditions as mentioned above (save as and except for condition conditions (vii), (viii) and (ix)). Save as aforesaid, if the conditions precedent as set out in the Sale and Purchase Agreement and the Supplemental Agreement have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Company can terminate the Sale and Purchase Agreement by notice in writing to the Vendor after the Long Stop Date, and the obligations of the Company under the Sale and Purchase Agreement shall terminate thereafter.

As at the Latest Practicable Date, save as conditions (i), (viii) and (ix), all of the conditions precedent as stated above had been fulfilled.

Save as in the case where the Company is in breach, if the Sale and Purchase Agreement is terminated as aforementioned, the Vendor shall repay the deposit (without interest) and any amount previously paid by the Company to the Vendor within ten Business Days of the despatch of the aforementioned notice by the Company.

Completion:

Completion shall take place within ten Business Days (or such later date and time as agreed by the Company and the Vendor in writing) from the date of the written notice of the Completion issued by the Company. Such written notice will only be issued by the Company where the conditions precedent to the Sale and Purchase Agreement and as supplemented by the Supplemental Agreement set out above have been satisfied or waived (if possible).

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirmed that the Company does not intend to appoint Mr. Yang and/or his associates as Director(s) as a result of the Acquisition. Upon Completion and as a result of the Acquisition, there will be no change of control of the Company.

The Convertible Bonds:

Pursuant to the Sale and Purchase Agreement, an amount of HK$210 million out of the Consideration is to be satisfied by the issue of the Convertible Bonds at the Conversion Price of HK$0.085 per Conversion Share by the Company to the Vendor (or its nominee(s)) within one month upon Completion.

The principal terms of the Convertible Bonds are summarised as follows:

Issuer

The Company

Noteholder(s)

The Vendor (or its nominee(s))

Principal amount

HK$210 million

Maturity date

The Business Day falling on the third anniversary from the issue date of the Convertible Bonds

Interest

3% per annum

Transferability

The Convertible Bonds will be freely transferable or assigned (in integral multiple of HK$500,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Bonds) to transferee other than a connected person of the Company, which is subject to the prior written consent of the Company and in compliance with the Listing Rules.

Voting rights

The holder(s) of the Convertible Bonds is/are not entitled to attend or vote at any meetings of the Company.

Conversion rights

Holder(s) of the Convertible Bonds has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$500,000 or integral multiples thereof) on any Business Day after the date of issuance of the Convertible Bonds up to the maturity date, provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.

Conversion Price

The initial Conversion Price of HK$0.085 per Conversion Share (subject to the usual provisions for adjustments arising from events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues) represents:

(i) a premium of approximately 80.85% over the closing price of HK$0.047 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 32.81% over the closing price of HK$0.064 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 30.77% over the average of the closing prices of HK$0.065 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 23.19% over the average of the closing prices of HK$0.069 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 78.04% to the unaudited consolidated net asset value per Share of approximately RMB0.339 (equivalent to approximately HK$0.387) (based on the audited consolidated net asset value of the Group of approximately RMB618,219,000 (equivalent to approximately HK$706,006,098) as at 31 March 2010 and 1,823,789,499 issued Shares as at the date of the announcement regarding the Sale and Purchase Agreement, i.e. 27 August 2010).

The Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the stock market condition and the prevailing market price of the Shares.

Redemption

Holder(s) of the Convertible Bonds has/have the right to require the Company to redeem the Convertible Bonds upon the occurrence of events of default as stipulated under the terms of the Convertible Bonds.

The Company may at any time before the maturity date with the consent of the holder(s) of the Convertible Bonds redeem in whole or in part of the Convertible Bonds. Unless previously converted, purchased and cancelled, the Company shall pay the outstanding principal amount under the Convertible Bonds by cash on the date of maturity of the Convertible Bonds.

Ranking of the Conversion Shares

The Conversion Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares. The Conversion Shares shall be allotted and issued under a specific mandate.

Assuming full conversion of all Convertible Bonds at the initial Conversion Price, 2,470,588,235 Conversion Shares will be issued, representing (i) approximately 113.13% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 53.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds.

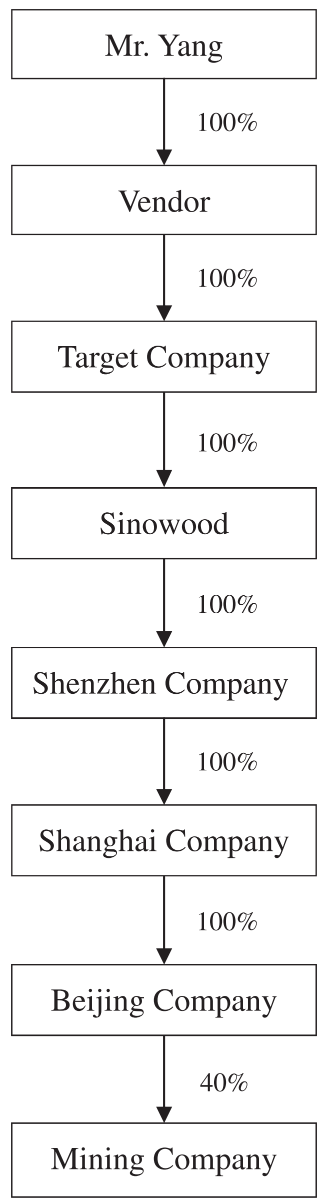
Non-competition undertaking

Under the Sale and Purchase Agreement, the Vendor has undertaken to the Company that the Vendor and its associates and affiliates would not directly or indirectly engage in businesses and/or investments which would compete with the businesses of the Target Group in the PRC.

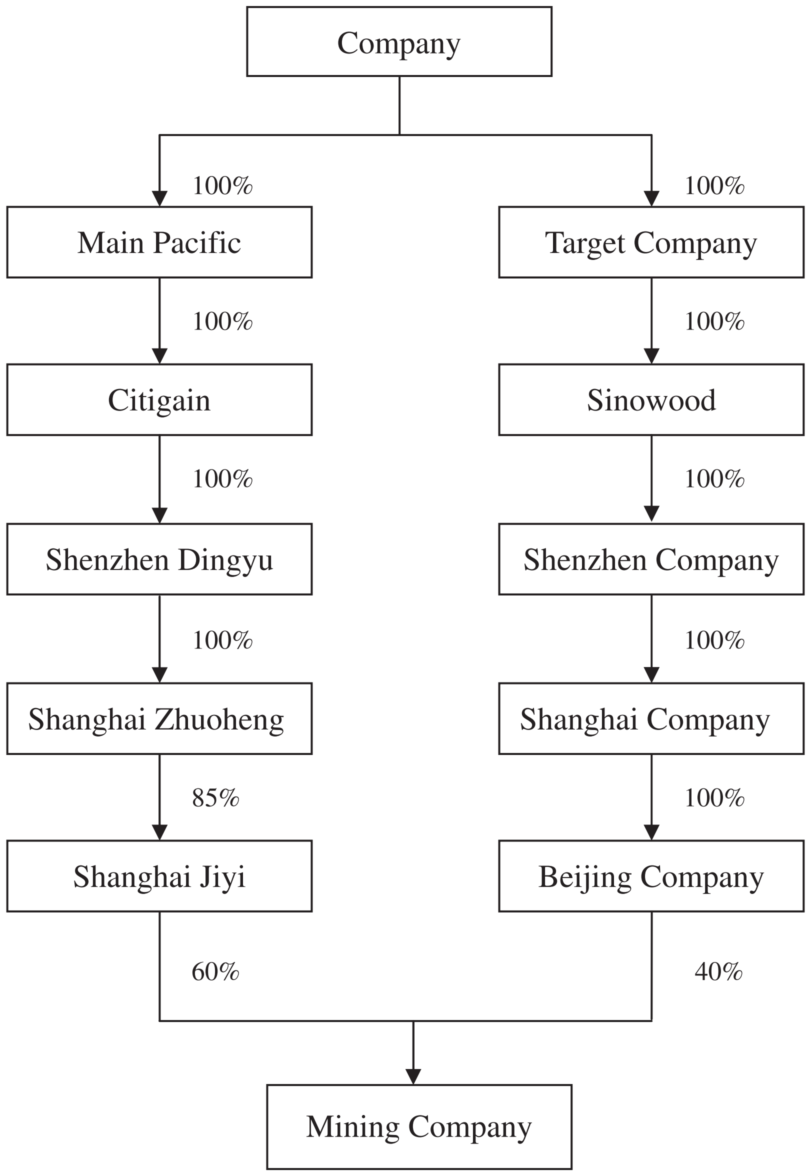
SHAREHOLDING CHARTS

The following charts show (i) the shareholding structure of the Target Group as at the Latest Practicable Date; and (ii) the shareholding structure of the Enlarged Group immediately upon Completion:

Simplified shareholding structure as at the Latest Practicable Date



Simplified shareholding structure immediately upon Completion



CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; and (iii) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		After the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price		After the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.90% of the issued share capital of the Company *(Note 2)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Ms. Yu Wai Fong, the Director	102,526,071	4.69	102,526,071	2.20	102,526,071	3.29
Gold Trinity International Limited *(Note 1)*	113,207,861	5.18	113,207,861	2.43	113,207,861	3.63
The Vendor (or its nominee(s))	–	–	2,470,588,235	53.08	931,459,429	29.90
Public Shareholders	1,968,055,567	90.13	1,968,055,567	42.29	1,968,055,567	63.18
Total	2,183,789,499	100	4,654,377,734	100	3,115,248,928	100

Notes:

1. Gold Trinity International Limited is wholly-owned by Mr. Han Wei. As at the Latest Practicable Date, Gold Trinity International Limited was the holder of the convertible bonds issued by the Company on 27 July 2009 in an outstanding principal amount of HK$27 million at the conversion price of HK$0.073 per conversion share.

2. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds, holder(s) of the Convertible Bonds shall have the right to convert the Convertible Bonds into Conversion Shares provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.

3. As at the Latest Practicable Date, the Company had 14,108,000 outstanding share options granted under the share option scheme of the Company, carrying rights to subscribe for 14,108,000 Shares. Save for the aforesaid share options, the Company did not have any outstanding warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date. The shareholding structure shown in the above table has assumed no exercise of such share options.

4. As announced by the Company on 9 September 2010, the Company proposes to conduct the Capital Reorganisation which is expected to become effective on 11 October 2010.

The Company shall comply with the public float requirements, being not less than 25% of the total issued share capital of the Company under Rule 8.08 of the Listing Rules, at all times and take appropriate steps/measures to ensure sufficient public float of the Shares (if necessary).

DILUTION EFFECT OF THE SHAREHOLDERS

The Company will make disclosure relating to change in its issued share capital (including any conversion of the Convertible Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 13.25A and 13.25B of the Listing Rules as and when required.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 12 March 2010 with limited liability and is wholly-owned by the Vendor. The Target Company has not recorded any turnover and profit since its incorporation.

Sinowood

Sinowood is an investment holding company incorporated in Hong Kong on 2 June 2009 with limited liability and is wholly-owned by the Target Company. Sinowood has not recorded any turnover and material loss since its incorporation. As at the Latest Practicable Date, Sinowood held 100% equity interest in the Shenzhen Company.

Shenzhen Company

The Shenzhen Company is a company incorporated in the PRC on 15 January 2010 with limited liability and is wholly-owned by Sinowood. The Shenzhen Company has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, the Shenzhen Company held 100% equity interest in the Shanghai Company.

Shanghai Company

The Shanghai Company is incorporated in the PRC on 31 August 2006 with limited liability and is a wholly-owned subsidiary of the Shenzhen Company. The Shanghai Company has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, the Shanghai Company held 100% equity interest in the Beijing Company.

Beijing Company

The Beijing Company is incorporated in the PRC on 24 April 2007 with limited liability. The Beijing Company has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, the Beijing Company was owned as to 100% by the Shanghai Company, and it held 40% equity interest in the Mining Company.

The Mining Company

The Mining Company was incorporated in the PRC on 23 August 2006 with limited liability. As at the Latest Practicable Date, the Mining Company was owned as to 60% by Shanghai Jiyi and 40% by Beijing Company. As at the Latest Practicable Date, the Company was interested in 85% of the equity interest in Shanghai Jiyi. Accordingly, the Company was ultimately beneficially interested in 51% of the equity interest in the Mining Company. Upon Completion, the Mining Company will become an indirect 91% owned subsidiary of the Company.

The Mining Company holds the Mining License. As aforementioned, save as and except for the Mining License, the Mining Company had no other material assets as at the Latest Practicable Date.

Details of the Mining License are summarised as below:

License number	Holder of the license	Mining area (km^2)	Expiry date
1500000820591	The Mining Company	1.7259	26 November 2011

Based on the examination of the relevant legal documents of the Mining Company and the fact that the Mining License has been granted to the Mining Company, the Company's PRC legal advisers indicated that there is no foreseeable obstacle (including but not limited to legal claims or proceedings) for the Mining Company to renew the Mining License. The Company's PRC legal advisers also indicated that the Mining License is likely to be renewed for a period of three years upon expiration in November 2011. The Mining Company shall submit all the documents as required to the relevant government authorities within 30 days before the expiry of the Mining License in order to renew the Mining License.

In addition, according to the Company's PRC legal advisers, (a) there is also no foreseeable obstacle for the Mining Company to obtain the relevant licenses, other than the Mining License, in carrying out the mining business of copper itself; and (b) the Mining Company can carry on the mining business of molybdenum in the PRC provided that the Mining Company shall outsource the exploitation process of molybdenum to other third party which is incorporated in the PRC.

Profit sharing

According to a cooperative agreement entered into between Shanghai Jiyi and the other former shareholder of the Mining Company on 28 July 2006 (the "**Cooperative Agreement**"), the profit sharing between Shanghai Jiyi and the then shareholder in respect of the Mining Company is on a 50:50 basis during the payback period for the capital investment contributed by shareholders of the Mining Company and after the payback of the shareholders' capital investment, the profit sharing ratio between Shanghai Jiyi and the then shareholder will be adjusted to the ratio of 45:55. The Company's PRC legal advisers confirmed that the Cooperative Agreement remains valid and the profit sharing between Shanghai Jiyi and the Beijing Company in respect of the Mining Company shall be in accordance with the above ratio.

Capital commitment

Based on the supplemental agreement to the Cooperative Agreement, should the capital investment in the Mine at the development stage be less than RMB30 million, shareholders of the Mining Company shall make contributions by way of equity injection according to their respective equity interest in the Mining Company. In the event that such capital investment is more than RMB30 million, contributions by the shareholders of the Mining Company shall be by way of shareholder's loan according to the ratio as stipulated in the Cooperative Agreement.

Management team

The Mining Company has an experienced management team to oversee its operation. The management team consists of personnel with appropriate qualifications and relevant experience in the mining industry. The Enlarged Group will retain the existing management team of the Mining Company and will appoint suitable candidates to ensure continual efficient operation of the Mining Company. The detailed biographies of the existing and proposed members of the management team of the Mining Company are as below:

Mr. Chang Cheng, aged 41, was an undergraduate from the Changchun College of Geology and has more than 20 years of experience in the mining profession. Mr. Chang Cheng served as a technician and the assistant engineer at Hebei Laiyuan Copper Mine from July 1992 to September 2004, and was an engineer and the head of projects at the No.1 Geological Brigade of Henan Nonferrous Metals Geological and Mineral Resources Bureau from October 2004 to September 2009. Currently, Mr. Chang Cheng is the head officer for overseeing the development project in the Mine.

Mr. Gao Qingjun, aged 40, graduated from the Shenyang University of Metallurgical Industry with a Bachelor degree and has more than 20 years of experience in the mining profession. Mr. Gao Qingjun served as a technician and the assistant engineer at the Ore Dressing Plant of Technical Section of Laiyuan Copper Mine from July 1995 to August 2005, and was the chief engineer of ore dressing at Shanxi Asia Pacific Mining from November 2005 to September 2009. Currently, Mr. Gao Qingjun is the manager for the mining project in the Mine.

Mr. Zhou Hongtao, aged 33, obtained a Bachelor's degree in Engineering from the Dalian University of Technology and a Master degree in Business Administration from the Beijing Jiaotong University. He also obtained the IFM certificate and CPA certificate in 2004 and has nearly ten years of experience in management and merger and acquisition of resource related projects. Mr. Zhou served (i) at the office of Yanshan District Committee, Beijing City and later at Beijing Dongfeng Industry Corporation* (北京東風工業總公司) as deputy general manager; (ii) at PKU Resource Group as director of the project operation centre; (iii) at Shanghai Xiang Chen Hang Place The Industry Co. Limited as standing deputy general manager. Mr. Zhou is currently a project manager of the Mining Company.

Mr. Ke Yunfeng, aged 70, was graduated from the Changchun College of Geology* (長春地質學院). He was a senior engineer with over 35 years of experience in geological research and minerals appraisal. He was also a leader of several geological research team in the past and had participated in various geological research projects conducted by the provincial government in Hubei province, the PRC. Mr. Ke is currently the mine design consultant of the Mining Company.

Mr. Yu Zhongbao, aged 60, was graduated from the Changchun College of Geology* (長春地質學院) with a degree in Geological Exploration. He was a senior engineer with over 35 years of experience in geological research and minerals appraisal. He was also a leader of several geological research teams in the past and had participated in various geological research projects conducted by the provincial governments, and worked for Huang Shi City Municipal Bureau of Land and Resources* (黃石市國土資源局). Currently, Mr. Yu is the chief engineer of the Mining Company.

Mr. Lu Dekui, aged 72, was graduated from the University of China Geology* (中國地質大學). He was a senior professor and the head of the Geology Department of Jiangxi province, the PRC with over 40 years of experience in geological research and minerals appraisal. He was also a leader of several geological research teams in the past and had participated in various geological research projects conducted by the provincial governments. Mr. Lu is currently responsible for the geological works of the Mining Company.

Financial information of the Target Group

Upon Completion, the Mining Company will remain as a non wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

Set out below is a summary of the audited combined financial information on the Target Group from 2 June 2009 (being the date of establishment of Sinowood) to 31 March 2010 prepared in accordance with the Hong Kong Financial Reporting Standards:

Combined Statement of Comprehensive Income

	For the period from 2 June 2009 to 31 March 2010 *RMB*
Turnover	–
Loss before taxation	(336,807)
Loss after taxation	(336,807)

Consolidated Statement of Financial Position

	As at 31 March 2010 *RMB*
Total assets	32,932,820
Total liabilities	(33,348,907)
Net liabilities	(416,087)

Set out below is a summary of the audited financial information on the Mining Company for the three years ended 31 December 2009 and the three months ended 31 March 2010 prepared in accordance with the Hong Kong Financial Reporting Standards:

Statement of Comprehensive Income

	For the year ended 31 December 2007 *RMB*	**For the year ended 31 December 2008** *RMB*	**For the year ended 31 December 2009** *RMB*	**For the three months ended 31 March 2010** *RMB*
Turnover	–	–	–	–
Loss before tax	(2,981,829)	(1,379,111)	(559,143)	(182,888)
Loss after tax	(2,981,829)	(1,379,111)	(559,143)	(182,888)

Statement of Financial Position

	As at 31 December 2007 *RMB*	**As at 31 December 2008** *RMB*	**As at 31 December 2009** *RMB*	**As at 31 March 2010** *RMB*
Total assets	10,028,184	6,013,475	5,789,285	5,736,117
Total liabilities	(4,998,019)	(2,362,421)	(2,697,374)	(2,827,094)
Net assets	5,030,165	3,651,054	3,091,911	2,909,023

INFORMATION ON THE MINE

Location and estimated resources

The Mine is located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮), with an aggregate mining area of 1.7259 km^2.

With reference to the Competent Person's Report as contained in Appendix V to this circular, the Mine is located over lithological units which have demonstrated potential for the extraction of copper and molybdenum mineralisation. The resources of the Mine based on the JORC Code equivalent are as follows:

Metal Contents

Category	Molybdenum (t)	Copper (t)
Measured Resource	0.00	0.00
Indicated Resource	5,356.91	11,192.00
Inferred Resource	0.00	7,668.00
Total	**5,356.91**	**18,860.00**

According to the Competent Person and under the JORC Code, an 'inferred mineral resource' is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. An "inferred mineral resource" is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability. Whereas for an 'indicated mineral resource", the Competent Person advised that under the JORC Code, it is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence, and is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Such locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

As disclosed in the circular of the Company dated 30 June 2009, the Company first attempted to penetrate into the non-ferrous metals industry through the Previous Acquisition. The Previous Acquisition was completed in July 2009. Following the completion of the Previous Acquisition, no additional drilling works have been done in the Mine. Moreover, the original development plan of the Mine as disclosed in the Previous Circular has been delayed and modified since the Mining Company would like to formulate a more thorough plan for development of the Mine. In order to ensure that the exploitation and production of the Mine will be successful after it starts the actual operations, the Mining Company has started the preparation work for open pit mining, ore processing and other ancillary works. The Mining Company has also completed the evaluation on the geological and hydrological environment of the Mine and planned for the Mine's future scale of production and infrastructure in details. Furthermore, the management of the Mining Company has already approached possible suppliers for procuring the equipments and mining facilities which will be required for the Mine's future operations and conducted relationship management with local government authorities and the potential customers of the Mining Company.

After completion of the above preparation work and the finalisation of an updated and detailed Feasibility Study Report, the Mine began to undergo the initial stage of development. As represented by the Competent Person, it is expected that the Mine will be able to commence commercial production around 18 months after the completion of the development stage, which is expected to be in the year of 2012.

The below information regarding the production and operations of the Mine is extracted from the Feasibility Study Report:

Mining and production capacity

The mine products are refined products produced from an ore dressing plant. They are mainly divided into two categories, namely refined copper and refined molybdenum. The average annual production of mine products and their gradings at the first year are as follow:

Annual refined copper production: 9,392.13t @ 20% Cu

Annual refined molybdenum production: 360.13t @ 45% Mo

The ore of exploration in the Mine is located on the base of erosion. Its surface is 1,400~1,500m, the lowest point is 1,330m and the highest is 1,521m. There are some old works on the upper part of this exploration area. The old works have to be settled and the coating has to be stripped round 100 m if the Mine is going to use the open pit mining method. Since the costs of investment in such processes are too high, mining by underground mining method will be better than the open pit method.

The main resources of the Mine are mainly concentrated in ore body no. 1, and the exploration work will be done in ore body no. 1 first in order to enhance efficiency and allow the Mine to reach its productivity target earlier.

According to the form, attitude, thickness and inclination of ore, this project of mining is focusing on different thickness and inclination of ore. The condition of the mining method and the correspondence mining are as follows:

If the thickness of ore is above or equals to 6m, the bottom hopper sublevel open stoping or over cut room and pillar method will be applied. The advantages of the bottom hopper sublevel open stoping method are safer, enlarged capacity of production and high exploration rate, but the disadvantage is high impoverishment rate. The advantage of the over cut room and pillar method is low impoverishment rate and peroration, but the disadvantages are unsafe, lowest rate of recovery and production capacity.

Under certain condition, the bottom hopper sublevel open stoping method will be applied at instability segment if the thickness of ore is over size; while the over cut room and pillar method will be applied at other kinds of segment. 55% of the total Mine area can adopt the bottom hopper sublevel open stoping method and 25% of the Mine area can only adopt the over cut room and pillar method.

If the thickness of ore is below 6 m, the shallow hole room and pillar method can be applied by defining the thickness and stability of ore.

Facilities of the Mine

The main facilities of the Mine include: mining facilities, ore dressing production facilities, auxiliary facilities, tailings dam construction, utilities and office and welfare facilities.

1. Mining facilities: Mine design, mine road, roadway excavation, purchase and installation of mining equipments.

2. Ore dressing production facilities: crushing plant, grinding plant, quarry, magnetic separation plant and installation and testing of the equipments.

3. Auxiliary facilities: including power lines, substation and power distribution rooms, laboratories, water diversion projects, water tanks and high pond, tailings, transportation, mechanics tools, environmental protection projects.

4. Tailings dam construction will be built in the valley near the ore dressing plant, with a total storage capacity designed in accordance with the <Design of Tailings Facilities> <尾礦設施設計>, with tailings grade Level V. The clean water within the plant will be reused in the ore dressing plant.

5. Utilities and office and welfare facilities: staff quarters (including material and finished goods warehouse), office, staff canteen, bathroom, ore dressing treatment, flood control dam and plant roads, plant greening, etc.

A feasibility study and design of the Mine will be prepared, and related procedures, management team and skilled labour will be employed after the project has been approved. Upon commencement of the construction, the mining tunnel excavation and plant construction can be carried out simultaneously, and the expected construction period is 18 months, after which as aforementioned, the Mine will be able to commence production.

Labour force and productivity

The Mining Company will build up an integrated mining and ore dressing enterprise with production scale of daily ore handling capacity of 500 tonnes (165,000 tonnes p.a. on a 3 shifts/day, 8 hours/shift and to 330-working day basis). 24 months after initial ore production, the Mining Company targets to build up an integrated mining and ore dressing enterprise with production scale of daily ore handling capacity of 900 tonnes (297,000 tonnes p.a. on a 330-working day basis).

The expected number of labour force and their productivity are as follows:

Total estimated number of staff: 220
Mining staff: 90
Ore Dressing staff: 100
Technical and Management staff: 30

Overall daily labour productivity: 2.27 tonnes/labour
Daily mining labour productivity: 5.55 tonnes/labour
Daily ore dressing labour productivity: 5.00 tonnes/labour

Estimated investment

It is expected that the development of the Mine will require capital investment in the following areas:

Mining: roadway development, prospecting, mining potential, cutting and purchase and installation of equipment, and construction of compressor station.

Ore dressing: crushing and screening, grinding, processing, acquisition and installation of equipment, tailings, building of water supply system and laboratory testing station.

Public utilities: the total mining plan, water supply, substation, and welfare facilities.

The other project costs of the Mine also include costs of construction management, project supervision, acquisition of production equipment and office furniture, construction inspection, testing and project design, etc.

The total estimated investment on the Mine is estimated to be approximately RMB26,000,000, being divided into the following nature of activities:

No.	Activities	Amount of Investments (RMB)	(%)
1	Mining	7,194,200	27.67
2	Ore Dressing	5,285,800	20.33
3	Tailings	2,600,000	10.00
4	General Plan	1,645,800	6.33
5	Water Supply Network	291,200	1.12
6	Substation Network	1,906,000	7.33
7	Chief Amenities	1,040,000	4.00
8	Other Costs	1,737,000	6.68
9	Preparation Fee	1,300,000	5.00
10	Working Capital	3,000,000	11.54
	Total	**26,000,000**	**100**

Furthermore, it is expected that the annual production costs of the Mine is approximately RMB54,783,300; while the average production costs per tonne of ore is estimated to be of approximately RMB332.

INDUSTRY OVERVIEW

Copper

Copper is the world's third largest industrial metal by volume, after steel and aluminum. The main industrial usage of copper is for the production of cable, wire and electrical products for both the electrical and building industries.

Copper production around the world increased in the past few years and is expected to continue to increase in the foreseeable future. The table below shows the world's total copper production and consumption by major geographical regions in 2009, as well as the forecasted annual production and consumption of copper by major geographical regions in 2010 and 2011:

FORECAST TO 2010									
REGIONS	**MINE PRODUCTION**			**REFINED RPODUCTION**			**COPPER USAGE**		
(1000 t)	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Africa	1,076	1,345	1,598	672	929	1,142	306	338	389
N.America	1,929	2,012	2,257	1,782	1,792	1,887	2,048	2,156	2,235
Latin America	7,036	7,438	7,561	3,937	4,039	4,136	523	560	592
Asean-10	1,180	1,215	989	544	568	615	687	734	770
Asia ex Asean/CIS	1,504	1,544	1,589	7,055	7,558	8,035	10,546	9,855	10,401
Asia-CIS	503	524	525	458	460	501	105	105	106
EU-27	729	802	836	2,511	2,656	2,715	3,104	3,224	3,349
Europe Others	774	803	826	995	1,017	1,036	759	822	861
Oceania	1,024	1,122	1,119	445	447	478	130	142	148
TOTAL	15,756	16,805	17,301	18,401	19,467	20,545	18,206	17,937	18,851
Adjustment for Primary Feed Shortage 1/					-37	-261			
Allowance for Disruptions 2/					-915	-1,189			
World	15,756	16,805	17,301	18,401	18.515	19,094	18,206	17,937	18,851
% change	1.47%	6.66%	2.95%	0.98%	0.62%	3.13%	0.80%	-1.48%	5.10%
Refined Production - Usage Balance							**195**	**578**	**243**

1/ Based on a formula for the difference between the projected copper availability in concentrates and the projected use in primary refined production; 2/ Based on supply deviations over the previous 5 years.

Source: International Copper Study Group

As shown in the above table, Asia (including Asean-10, Asia ex Asean/CIS and Asia-CIS) contributes around half of the global total copper consumption. In the global copper industry, the PRC plays an important role. The PRC domestic copper market has experienced a rapid growth in the past years as driven by the growth in the production of electrical and electronic equipments. The rapidly expanding copper industry in the PRC has increased the level of copper consumption in the past years. Since the total consumption volume of refined copper in the PRC is greater than the total production volume of refined copper, imports are necessary to keep the PRC copper market moving. The main sources of the PRC's copper imports are from Northeast Asia, Taiwan, South Korea and Malaysia.

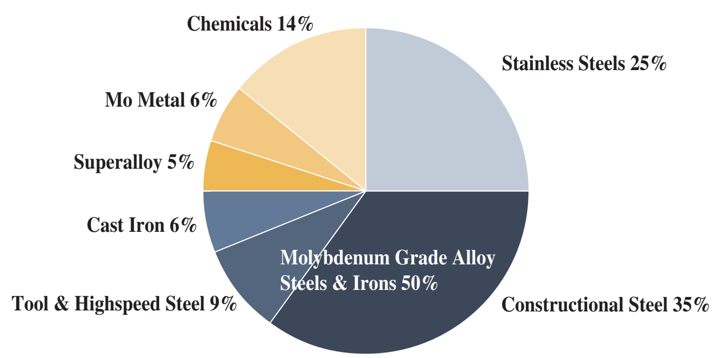
Over the past years, the trend of movement of the PRC's domestic copper prices and the international market's copper prices are largely consistent. The PRC, being the largest consumer of copper in the world, has a great influence on the prices of copper in the international market. With reference to recent news from Bloomberg, the 3.18 million tonnes of refined copper shipped into the PRC in 2009 helped copper prices rising more than double.

According to the statistics released by中國有色金屬科技信息網 (http://www.cnitdc.com), the domestic selling price of copper had risen from approximately RMB27,375 per tonne at the beginning of 2009 to approximately RMB57,125 per tonne by the end of 2009, representing an increase of approximately 108.68%. Furthermore, as referred to the statistics released by the China Non-ferrous Metals Industry Association (http://www.chinania.org.cn), copper production had reached approximately 4,109,500 tonnes in 2009, representing a growth of approximately 10.77% as compared to the prior year.

Molybdenum

Molybdenum is a common by-product of copper mining and has the ability to withstand extreme temperatures with a high resistance to corrosion. Molybdenum is widely used as an alloy agent in stainless steel. The uses for molybdenum-containing products are mostly industrial and they include energy generation, oil and gas, chemical processing, transportation, mining, mechanical engineering, building and construction and fabrication.

The following graph, which is extracted from the International Molybdenum Association, illustrates that around 69% of the total global consumption of molybdenum is from the steel industry.



Source: International Molybdenum Association

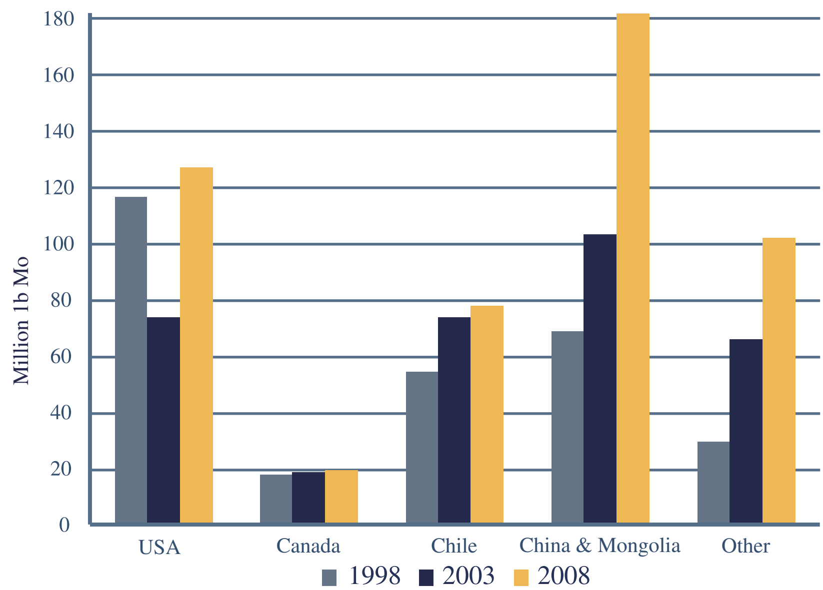
Approximately 38.4% of world's molybdenum reserves and approximately 43.6% of the world's molybdenum reserve base are located in the PRC, and the PRC contains the largest world molybdenum reserves and world's molybdenum reserve base. The world's total estimated molybdenum reserves and reserve base stood at approximately 8.6 mega tonnes and approximately 19.0 mega tonnes respectively. Set out below is a chart showing the world's total reserves and reserves base in 2007 and 2008 for the molybdenum industry:

World Mine Production, Reserves, and Reserve Base:

	Mine production		Reserves	Reserve base
	2007	2008	(thousand metric tonnes)	
United States	57,000	61,400	2,700	5,400
Armenia	4,080	4,100	200	400
Canada	12,000	12,000	450	910
Chile	44,912	45,000	1,100	2,500
China	59,800	59,800	3,300	8,300
Iran	2,600	2,600	50	140
Kazakhstan	400	400	130	200
Kyrgyzstan	250	250	100	180
Mexico	2,500	4,000	135	230
Mongolia	1,300	1,300	30	50
Peru	16,737	17,000	140	230
Russia	3,300	3,500	240	360
Uzbekistan	600	600	60	150
World total (rounded)	205,000	212,000	8,600	19,000

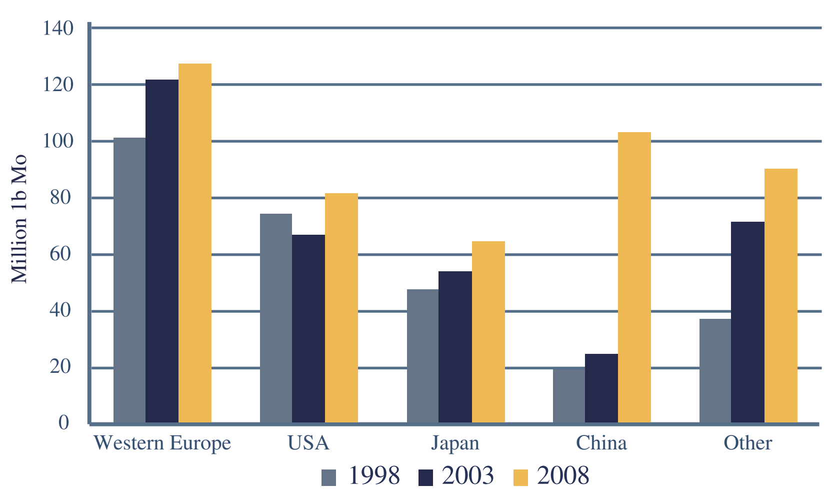
Source: U.S. Geological Survey

The largest producer of mined molybdenum is the United States followed closely by the PRC and Chile. Molybdenum mine production has been expanding during past years due to the increased demand of molybdenum oxide from the steel industry. Set out below is a graph illustrating the increase in the production of molybdenum since 1998:



Source: International Molybdenum Association

Molybdenum is principally consumed as ferromolybdenum or molybdenum oxide, with other forms such as molybdates, scrap and molybdenum metal, and there is no direct substitute for it. Strengthening alloys in steel such as vanadium, chromium, columbium and boron are potential substitutes, but they are not widely used around because molybdenum is far more plentiful, affordable and effective. The steel industry demands a great portion of molybdenum, which as aforesaid accounted for around 69% of the global total consumption of molybdenum. Even though the Western Europe remains the largest market for molybdenum, the PRC becomes the fastest growing major market for molybdenum around the world. The below chart shows the world's consumption of molybdenum based on an average of industry estimates:



Source: International Molybdenum Association

The PRC takes a major part in the world's molybdenum market, and it is a major supplier of molybdenum oxide and ferromolybdenum. The PRC is principally engaged in the export of ferromolybdenum and molybdenum oxide and in the import of molybdenum concentrate and molybdenum oxide. It has been an important molybdenum exporter to the Western countries and industrialised Asia since 1996. As the PRC develops, the domestic demand for molybdenum increases rapidly. This rapid growth in demand for molybdenum is correlated to the growth in the steel industries around the world. Steel producers around the world also plan to expand their operations in the PRC by creating some of their production facilities in the PRC, to take advantage of the low manufacturing cost and the rapidly growing market in the PRC. The PRC is expected to participate in a major role in global molybdenum supply and to have a significant influence in the global molybdenum market because it is one of the strongest molybdenum producing country.

According to the statistics released by 中國有色金屬科技信息網 (http://www.cnitdc.com), the reference domestic selling price of molybdenum was RMB310 to RMB330 per kilogram in the beginning of 2009 and RMB290 to RMB320 per kilogram by the end of 2009. Moreover, molybdenum production had reached approximately 215,579 tonnes in 2009, representing a growth of approximately 17.5% as compared to the prior year.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the properties investment business, comprising the rental of investment properties and the provision of the property management services. The Group entered into the PRC mining industry through the Previous Acquisition. Nevertheless, the Mining Company has not yet contributed any operational revenue to the Group after completion of the Previous Acquisition.

As depicted under the above section headed "Industry overview", in view of the possible continual economic growth in the PRC, it is expected that demand for non-ferrous metals (such as copper and molybdenum) will be sustainably high in long run. The Directors hence consider that it is beneficial for the Group to penetrate further into the non-ferrous metals industry in order to strengthen the Group's income source.

Nevertheless, the Directors also consider that the Enlarged Group may be posed with certain inevitable risks due to the Acquisition (details of which are set out under the section headed "Risk factors" below). Having balanced the risks associated with the Acquisition and the prospects of the Mining Company, the Board is of the view that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) (including the Consideration and the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

Fluctuation in the price and demand of copper and molybdenum

The price of copper and molybdenum in the PRC is highly dependent on their prices in the international market. The Directors consider that there are many factors which may influence the price and demand of copper and molybdenum in the international market, including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition, which are beyond the control of the Enlarged Group. Besides that, there is a possibility that the prices of commodities may fall to lower levels and the future price movements of copper and molybdenum (whether upward or downward) are unpredictable as at this moment.

Uncertainties in copper and molybdenum exploitation

The amounts of copper and molybdenum resources in the Mine may be varied from the estimations by the Competent Person and there is no assurance that the exploitation works to be performed by the Mining Company can lead to discovery of economically feasible resources.

The PRC government's regulations on the non-ferrous metals industry

The non-ferrous metals industry is subject to various government policies and regulations, including but not limited to, exploitation, development, production, taxation, labour standards, vocational health and safety, waste treatment, environment monitoring, protection and control, operation management and other problems. Any changes to those policies may increase the operating costs of the Mining Company and hence, adversely affect the operating results of the Enlarged Group.

Validity of the Mining License

Despite the fact that the Mining Company has obtained the Mining License for conducting exploitation activities in the Mine during the licensed period, the Mining License is subject to renewal in the future and the Mining Company may not be able to renew or extend its exploitation rights. In the event that the Mining Company fails to renew the Mining License upon expiration, the operation and financial performance of the Enlarged Group will be adversely affected.

Difference in legal system

The PRC legal system is based on a statutory law system. Unlike the common law system, prior legal decisions and judgments are relevant for guidance only but do not have precedent effect. Since 1979, the PRC government has been developing a commercial law system, and progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade.

However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number. Moreover, as prior court decisions are not binding, both the implementation and interpretation of these laws, regulations and legal requirements are uncertain in many areas. Accordingly, there is a risk that some of the Target Group's existing and future contractual rights may not be fully enforceable under the PRC legal system, which could materially and adversely affect the Enlarged Group's business and results of operations.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. Natural resources production projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operation and development of the Mining Company may significantly exceed the Group's budgets because of factors beyond the Company's control.

Operation risks

The mining business of the Mining Company is subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increases for contracted and/or purchased goods and services; shortages of required materials and supplies; electrical power interruptions, mechanical and electrical equipment failure; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins, encountering, unusual or unexpected climatic conditions which may or may not result from global warming; and encountering unusual or unexpected geological conditions.

The Acquisition will increase the level of risk exposure of the Enlarged Group. Independent Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the Acquisition.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Mining Company will remain as a non wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

Effect on assets/liabilities

As extracted from the annual report of the Company for the year ended 31 March 2010 (the "**2010 Annual Report**"), the audited consolidated total assets and total liabilities of the Group were approximately RMB766.56 million and RMB148.34 million respectively as at 31 March 2010. With reference to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group's total assets and total liabilities would be decreased to approximately RMB682.49 million and increased to RMB367.68 million respectively upon Completion.

Effect on earnings

In light of the potential future prospects of the Mine, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing and working capital

According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Group's gearing level (being calculated as net debt to total equity of the Group) was approximately 8% as at 31 March 2010. Upon Completion, the net debt of the Enlarged Group would be approximately RMB350.62 million while the Enlarged Group's total equity would be approximately RMB314.80 million. The Enlarged Group's gearing level would thus become 111% upon Completion.

As payment of the cash Consideration (i.e. HK$90 million in total) will be/was satisfied by the Company using various equity financing methods, the Directors expected that the Acquisition would not lead to material change in the working capital position of the Enlarged Group.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As referred to in the 2010 Annual Report, for the year ended 31 March 2010, the Group continued to engage in the properties investment business in the PRC. As at 31 March 2010, the aggregate gross floor area of the investment properties being held by the Group was approximately 7,004 sq.m..

As set forth under the section headed "Reasons for the Acquisition" of this letter, in view of the continual economic growth in the PRC, it is expected that demand for non-ferrous metals will be sustainably high in long run. Recently, the PRC government has decisively promulgated a series of economic stimulus measures and reinstated the non-ferrous metals industry. Various measures have been put in place to stimulate domestic demand and stabilise market conditions. All these measures would likely to have a positive impact on the non-ferrous metals industry in the PRC. Therefore, the Company entered into the Sale and Purchase Agreement with the Vendor on 18 August 2010.

According to the 2010 Annual Report, the Company also takes the initiative in identifying other investment opportunities which will broaden its revenue sources. On 21 June 2010, the Company entered into the memorandum of understanding with Independent Third Parties for the possible acquisition of the entire equity interest in a target company which upon completion of the restructuring, shall be the ultimate owner of 100% effective interest in the oil and gas rights in parcels of lands in Nevada under three oil and gas leases.

Overall, the Directors consider that the Acquisition will enable the Enlarged Group to diversify its current business to participate in the non-ferrous metals market, which will broaden the Enlarged Group's income base and improve its financial performance. Going forward, the Enlarged Group will also continue to look for other investment opportunities in any other stream in the long run so as to broaden the source of income of the Enlarged Group and diversify the Enlarged Group's business portfolio.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial Acquisition for the Company under the Listing Rules. By virtue of that the Vendor, through its wholly-owned subsidiaries, is a substantial shareholder of the Mining Company (which as aforementioned is an indirect 51% owned subsidiary of the Company), the Vendor is a connected person of the Company under the Listing Rules and thus the Acquisition also constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM. Mr. Han Wei is a director of the Mining Company, and is also the sole director and the sole shareholder of Gold Trinity International Limited which in turn holds (a) 113,207,861 Shares; and (b) HK$27 million worth of convertible bonds convertible into Shares. Furthermore, Mr. Han Wei is a director and an authorised representative of certain indirect wholly-owned subsidiaries of the Company (including but not limited to Shenzhen Dingyu), and a director and an authorised representative of Shanghai Jiyi. Mr. Han Wei is therefore considered to have material interest in the Acquisition. Accordingly, the Vendor, Gold Trinity International Limited, Mr. Han Wei and their respective associates are required to abstain from voting in favour of the Acquisition at the SGM. Since no Director has a material interest in the Acquisition, none of the Directors have abstained from voting at the Board meeting approving the Acquisition.

SGM

A notice convening the SGM to be held at 10:00 a.m. on Friday, 8 October 2010 at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong or any adjournment is set out from pages 262 to 263 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding the SGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out from pages 40 to 67 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, and the principal factors and reasons taken into account in arriving at its recommendation.

The Board considers that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. In addition, the Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board
China Properties Investment Holdings Limited
XU DONG
Chairman

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

17 September 2010

To the Independent Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION

We refer to the circular dated 17 September 2010 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, including the terms of the Convertible Bonds. Bridge Partners Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, including the issue of the Convertible Bonds, after taking into account the advice of the Independent Financial Adviser as set out from pages 40 to 67 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Sale and Purchase Agreement, the Supplemental Agreement and the Acquisition.

Yours faithfully,
Independent Board Committee
Mr. Lam Man Yui **Mr. Lai Wai Yin, Wilson** **Ms. Cao Jie Min**
Independent non-Executive Directors

* *For identification purposes only*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder dated 17 September 2010 prepared for the purpose of incorporation in this circular:

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

17 September 2010

To the independent board committee and the independent shareholders of China Properties Investment Holdings Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 17 September 2010 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 18 August 2010 (after trading hours), the Company (being the Purchaser) entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration of HK$300 million. The Consideration shall be satisfied by the mixture of cash and the issue of Convertible Bonds. The Sale Shares represent the entire equity interest in the Target Company. The principal asset of the Target Group is the Mining License held by the Mining Company.

On 8 September 2010, the Purchaser, the Vendor and Mr. Yang further entered into the Supplemental Agreement in relation to the provision of the Loan by Mr. Yang to the Beijing Company, and the unconditional assignment of the Loan by Mr. Yang to the Purchaser (the "Loan Assignment") at nil consideration. The Loan Assignment is acknowledged by the Beijing Company.

To the best of the Directors' knowledge, the Vendor, through its wholly-owned subsidiaries, being a substantial shareholder of the Mining Company (which is an indirect 51% owned subsidiary of the Company as at the Latest Practicable Date), thus the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company subject to the Independent Shareholders' approval by way of poll at the SGM. On the other hand, Mr. Han Wei is a director of the Mining Company and the sole director and the sole shareholder of Gold Trinity International Limited, which holds (a) 113,207,861 Shares and (b) HK$27 million worth of convertible bonds into Shares. Furthermore, Mr. Han Wei is a director and authorised representative of several indirect wholly-owned subsidiaries of the Company (including but not limited to Shenzhen Dingyu) and a director and authorised representative of Shanghai Jiyi. Accordingly, the Vendor, Gold Trinity International Limited, Mr. Han Wei and their respective associates are required to abstain from voting in favour of the Acquisition at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Lam Man Yui, Mr. Lai Wai Yin, Wilson and Ms. Cao Jie Min, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and the transactions contemplated thereunder is fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the Acquisition.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have assumed that the information and representations contained in or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time when they were made and continue to be true up to and including the date of the SGM. We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, having made all reasonable enquiries, to the best of their knowledge, they believe there are no other facts or representations, the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, the Vendor, Mr. Yang, their respective associates and/or subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Bridge Partners is not an expert in the areas of geology and not a specialist in the mining industry and will not render opinions regarding the accuracy of the mineral reserves in the Mine.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part nor be used for any other purposes, without our prior written consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken the following principal factors and reasons into consideration:

Business and financial information of the Group

The principal activities of the Group are properties investment and mining.

Set out below is a summary of the audited consolidated income statement of the Group for each of the three years ended 31 March 2010:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*RMB*	*RMB*
	(note 2)	*(restated)*	
Turnover	18,743,981	17,254,000	7,750,000
Loss before taxation	(36,200,225)	(245,432,000)	(10,613,000)
Loss for the year	(28,776,194)	(190,945,000)	(19,301,000)

Notes: 1) Prior to 2009, the functional currency and presentation currency were HK$. Following the completion of the Previous Acquisition, the function currency has been changed from HK$ to RMB with effect from 24 July 2009. Details of which are set out in note (1) to the financial statements of the Group for the year ended 31 March 2010.

2) Based on the annual report of the Group for the year ended 31 March 2009.

For the year ended 31 March 2010 vs For the year ended 31 March 2009

During the year under review, the Group continued to engage in the properties investment business in the PRC. In order to diversify the existing business portfolio of the Group and to broaden the income source of the Group, the Company penetrated into mining business by the acquisition of 51% indirect interest in the Mining Company in June 2009 (details of which is set out in the circular of the Company dated 30 June 2009).

According to the annual report of the Company for the year ended 31 March 2010 (the "2010 Annual Report"), the turnover of the Group was approximately RMB7.75 million for the year ended 31 March 2010, representing a decrease of approximately 55.08% as compared with that of the previous year. The rental income from the investment properties contributed significantly to the total revenue of the Group for the year ended 30 March 2010. The drop in turnover was mainly due to the disposal of one of the investment properties in Shanghai and termination of certain property management service during the year. As at 31 March 2010, the aggregate gross floor area of the investment properties held by the Group was approximately 7,004 square meters, all of which were leased out with the lease terms ranging from 1 year to 9 years. In order to strengthen its cash position and reduce the debts and interest burden, the Group disposed one of its investment properties in Shanghai in 2009 for the consideration of RMB40 million (equivalent to approximately HK$45.45 million).

The audited net loss for the year ended 31 March 2010 was approximately RMB19.3 million, representing a significant decrease of approximately 90% in comparison with that incurred in the previous year. The decrease in loss for the year was mainly due to the drop in fair value of the investment properties of the Group from the valuation loss of approximately RMB221.98 million for the year ended 31 March 2009 to a valuation gain of approximately RMB32.35 million for the year ended 31 March 2010. In addition to this, the Company incurred a loss of approximately RMB7.9 million from the disposal of investment property and a loss of approximately RMB6.1 million for the change in fair value of the convertible bonds.

For the year ended 31 March 2009 vs For the year ended 31 March 2008

The Group was principally engaged in the property investment business for the year ended 31 March 2009. As at 31 March 2009, the aggregate gross floor area of the investment properties held by the Group was approximately 10,736 square meters and the average occupancy rates were 100% during the year.

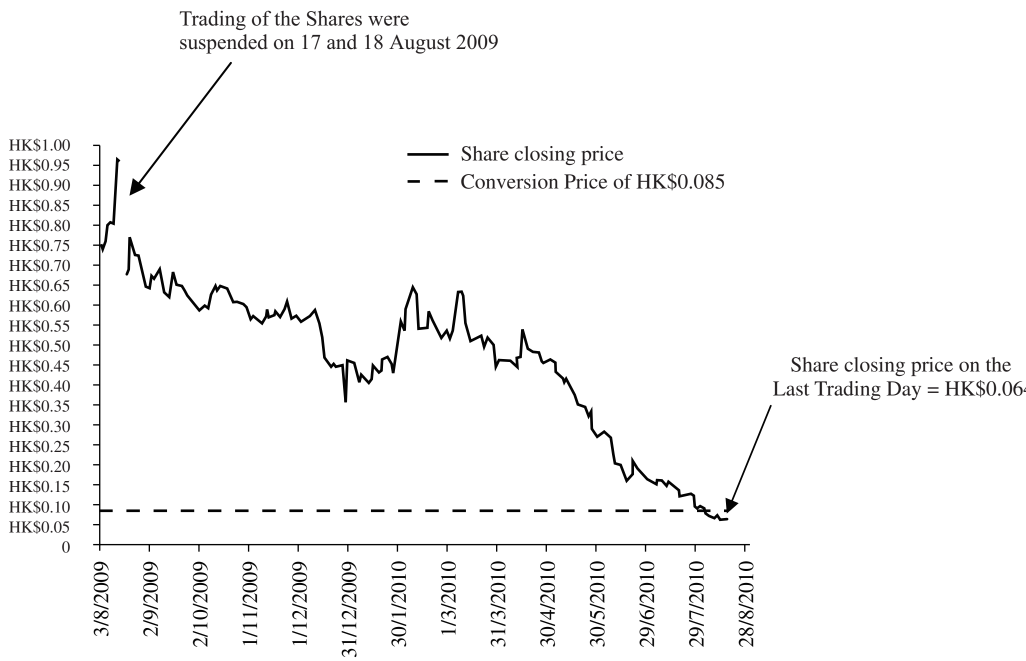
As compared to the same corresponding period in 2008, the turnover of the Group increased from RMB16.36 million (equivalent to approximately HK$18.74 million) for the year ended 31 March 2008 to RMB17.25 million for the year ended 31 March 2009, representing an increase of approximately 5.44% as compared with that of the previous year. Rental income generated from operating lease amounted to approximately RMB14.35 million, representing approximately 83.19% of the total turnover of the Group for the year. The Group failed to achieve satisfactory operating results for the year ended 31 March 2009, mainly due to the downturn of the global economy including the PRC and the oversupply of commercial properties in the PRC market.

The audited net loss for the year ended 31 March 2009 was approximately RMB190.95 million, representing a significant increase in comparison with that incurred in the previous year. The increase in loss for the year was mainly due to the negative change in fair value of the investment properties of the Group, which recorded an unrealized loss of approximately RMB221.98 million for the year ended 31 March 2009, as a result of the austerity measures imposed by the PRC government in the property market and the impact of the global credit crunch on China. According to the management of the Company, the leasing demand for office space in Shanghai has been reducing and the over-supply of the office property is a key problem that the Company has been facing in Shanghai.

Analysis of past performance of the Shares

(A) Historical Share price and trading volume

The following chart shows the adjusted closing prices of the Shares traded on the Stock Exchange since August 2009 up to and including the Last Trading Day (the "Review Period"):



Source: Website of the Stock Exchange

Note: The share price was adjusted due to the Share Consolidation (on the basis of every five issued and unissued shares were consolidated into one Share) was effective on 12 July 2010.

As shown in the chart above, the average daily closing price of the Shares ranged from HK$0.585 to HK$0.965 per Share prior to 30 October 2009. Since then, the price of the Shares has been continuously falling. During the Review Period, the highest and lowest closing prices of the Shares were HK$0.965 per Share on 13 August 2009 and HK$0.063 per Share on 13 August 2010.

(B) Historical trading volume of the Shares

The following table also sets out (i) the total trading volume of the Shares in each month, (ii) the average daily trading volume of the Shares in each month; (iii) the percentage of the average daily trading volume of the Shares in each month to the total issued share capital of the Company and (iv) the percentage of the average daily trading volume of the Shares in each month to the total number of Shares held by the public Shareholders respectively during the Review Period:

	Total trading volume in each month	**Average daily trading volume in each month**	**% of average daily trading volume in each month to the total issued share capital of the Company** *(Note 1)*	**% of average daily trading volume in each month to the total number of Shares held by public Shareholders** *(Note 2)*
2009				
August	2,544,387,030	133,915,107	4.42%	5.78%
September	1,012,419,000	53,285,211	1.43%	2.14%
October	516,712,500	25,835,625	0.69%	1.04%
November	471,875,000	22,470,238	0.60%	0.90%
December	1,653,571,500	75,162,341	2.01%	2.86%
2010				
January	1,386,528,000	69,326,400	1.86%	2.15%
February	1,786,300,000	99,238,889	2.60%	3.00%
March	3,390,445,200	147,410,661	3.24%	3.66%
April	2,188,993,150	115,210,166	2.28%	2.54%
May	1,552,575,000	77,628,750	1.54%	1.71%
June	3,265,887,000	163,294,350	2.65%	2.90%
July	567,877,100	27,041,767	1.89%	2.44%
August	1,132,946,800	75,529,787	4.14%	4.70%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Based on the total number of Shares in issue at the then period.

2. Based on the total number of Shares held by the public Shareholders at the then period.

3. The Share Consolidation (on the basis of every five issued and unissued shares were consolidated into one Share) was effective on 12 July 2010.

The above table illustrated that the average daily trading volumes of the Shares per month were very thin during the Review Period. During the Review Period, the highest daily average trading volume amounted to approximately 163,294,350 Shares in June 2010, representing approximately 2.65% of the total number of Shares in issue and approximately 2.90% of the total number of Shares held by the public Shareholders and the lowest daily average trading volume amounted to approximately 22,470,238 Shares in November 2009, representing approximately 0.60% of the total number of Shares in issue and approximately 0.90% of the total number of Shares held by the public Shareholders. Given the low liquidity of the Shares in the open market during the Review Period, we consider that the historical price performance of the Shares does not serve a meaningful reference to assess whether the initial conversion price of HK$0.085 per Conversion Share is fair and reasonable.

Background and reasons for the Acquisition

(A) Information on the Target Group

The Target Company is an investment holding company incorporated in the British Virgin Islands on 12 March 2010 with limited liability and is wholly-owned by the Vendor. The Target Company has not recorded any turnover and profit since its incorporation.

Immediately upon Completion, the Group will own the entire interest of the Target Company and be effectively interested in (i) 100% equity interest in each of Sinowood, Shenzhen Company, Shanghai Company and Beijing Company and (ii) 91% of the equity interest in the Mining Company. Details of Sinowood, Shenzhen Company, Shanghai Company, Beijing Company and the Mining Company are set out in the "Letter from the Board".

The Mining Company was incorporated in the PRC on 23 August 2006 with limited liability. As at the Latest Practicable Date, the Mining Company was owned as to 60% by Shanghai Jiyi and 40% by Beijing Company, and the Company was ultimately beneficially interested in 51% of the equity interest in the Mining Company. Upon Completion, the Mining Company will become an indirect 91% owned subsidiary of the Company.

The Mining Company has not yet commenced any business operation since the date of its incorporation and will be principally engaged in the exploitation of the Mine. Save for holding the Mining License, the Directors confirmed to us that the Mining Company has no material assets as at the Latest Practicable Date. The operating period of the Mining License in the Mine is from 26 November 2008 to 26 November 2011. Under the Mining License, an ore production of 90,000 tonnes per annum is permitted.

According to the "Letter from the Board", the Company's PRC legal advisers indicated that there is no foreseeable obstacle for the Mining Company to renew the Mining License based on the examination of the relevant legal documents of the Mining Company and the fact that the Mining License has been granted to the Mining Company. The Company's PRC legal advisers also indicated that the Mining License is likely to be renewed for a period of three years upon expiration in November 2011. The Mining Company shall submit all the documents as required to the relevant government authorities within 30 days before the expiry of the Mining License in order to renew the Mining License.

Furthermore, according to the Company's PRC legal advisers, (a) there is also no foreseeable obstacle for the Mining Company to obtain the relevant licenses, other than the Mining License, in carrying out the mining business of copper itself; and (b) the Mining Company can carry on the mining business of molybdenum in the PRC provided that the Mining Company outsources the exploitation process of molybdenum to other third party which is incorporated in the PRC.

(B) Information on the Mine

The Mine is located in Yongsheng Village at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮), with an aggregate mining area of 1.7259 km^2. The closest city is Chifeng City which is about 265 km to the Mine. According to the Company, the mining area is fairly accessible and connected by National Expressway No. 303 and No. 306.

Following the completion of the Previous Acquisition, no additional drilling works have been done in the Mine. The Mining Company has started the preparation work for open pit mining, ore processing and other ancillary works and completed the evaluation on the geological and hydrological environment of the Mine. The management of the Company confirmed that they have approached possible suppliers for procuring the equipments and mining facilities which will be required for the Mine's future operations and have established relationships with local government authorities and potential customers.

The Directors expect that, the Mine would undergo an initial stage of development after the completion of the above mentioned preparation work. It is also anticipated that the Mine will be able to commence commercial production around 18 months after the completion of the development stage, which is expected to be in 2012.

The Mining Company targets to build up an integrated mining and ore dressing enterprise with a daily production capacity of handling 500 tonnes and 900 tonnes of ore for the initial production and 24 months after the initial production respectively.

Furthermore, the Mining Company is planning to invest in (i) roadway development, prospecting mining potential, purchase and installation of equipment and construction of compressor station for mining; (ii) crushing and screening, grinding, processing, acquisition and installation of equipment, tailings and building water supply system and laboratory testing station for ore dressing; and (iii) water supply, substation and welfare facilities for public utilities. The total capital expenditures for the development are estimated to be approximately RMB26 million.

(C) Estimated resources of the Mine

According to the Technical Report on the Mine in Appendix V to this circular, the Mine is located over lithological units which have demonstrated potential for the extraction of copper and molybdenum mineralisaction. The resources of the Mine based on the JORC Code are as follows:

Metal Contents Category	**Copper tonnes**	**Molybdenite tonnes**
Measured Resource	0.00	0.00
Indicated Resource	11,192.00	5,356.91
Inferred Resource	7,668.00	0.00
Total	**18,860.00**	**5,356.91**

The Directors are of the view that the Acquisition will provide an opportunity for the Group to gain further access to the non-ferrous metals industry with an aim to broaden the income base of the Group and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, we would like to draw the Independent Shareholders' attention to that the actual amounts of copper and molybdenum in the Mine may vary from those estimated. Furthermore, any failure in attaining the production targets or renewal of the Mining License may adversely affect the investment return of the Acquisition. Independent Shareholders should also be aware of the market and industry risks including the fluctuation in the prices and demand of copper and molybdenum, the industry regulations imposed by the PRC government from time to time and the general economic outlook. Details of the risk factors associated with the Acquisition are disclosed in the section headed "Risk factors" in the "Letter from the Board".

(D) Historical financial performance of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Group for the period from 2 June 2009 (being the date of establishment of Sinowood) to 31 March 2010 as extracted from the accountants' report of the Target Group as set out in Appendix II to this circular:

Combined Statement of Comprehensive Income	**For the period from 2 June 2009 to 31 March 2010**
	RMB
Revenue	–
Loss before taxation	(336,807)
Loss after taxation	(336,807)

Consolidated Statement of Financial Position	**As at 31 March 2010**
	RMB
Total assets	32,932,820
Total liabilities	(33,348,907)
Capital deficiency	(416,087)

As shown above, the Target Group did not record any turnover for the period from 2 June 2009 to 31 March 2010 as each of the subsidiaries of the Target Group did not carry out any significant business since the respective date of its incorporation. As at 31 March 2010, the total assets and the total liabilities of the Target Group were approximately RMB32.93 million and RMB33.35 million respectively.

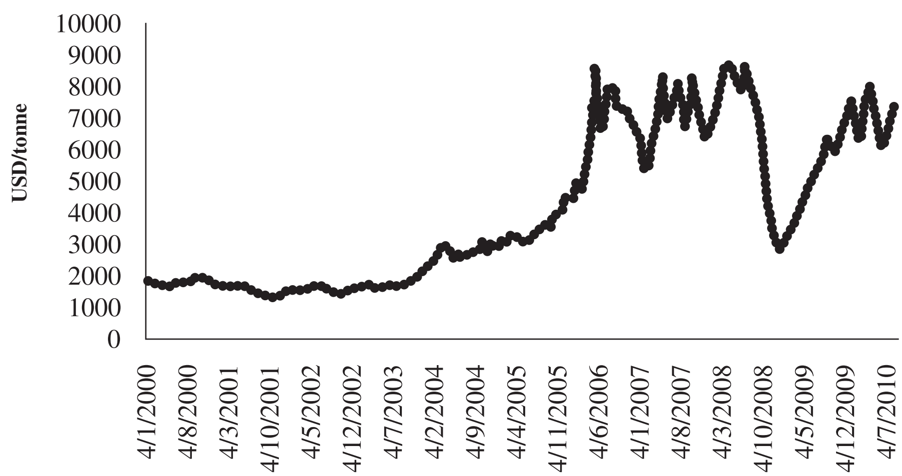
(E) Trends of the copper and molybdenum industries

(a) Copper

According to the Technical Report on the Mine in Appendix V to this circular, supply in the international copper market is very tight due to the increasing application of copper. The usage of copper has been increasing alongside with the advancement of technology.

The following chart illustrates the trends in world refined stocks and prices of copper during the past 10 years.

LME Copper price trend



Source: Bloomberg

The price of copper has increased significantly as compared with that of 10 years ago. The global financial crisis in 2008 had a great impact on the price of copper, which then gradually picked up since 2009 after the PRC government announced a domestic economy stimulation plan with an amount of RMB4,000 billion in November 2008, benefiting, amongst others, the infrastructure and manufacturing industries and the demand of copper.

The following table illustrates the forecast of mine production, refined production and copper usage by major geographical regions from 2009 to 2011.

	Forecast to 2011 (in 1000 tonnes)								
Regions	**Mine production**			**Refined production**			**Copper usage**		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Africa	1,076	1,345	1,598	672	929	1,142	306	338	389
N. America	1,929	2,012	2,257	1,782	1,792	1,887	2,048	2,156	2,235
Latin America	7,036	7,438	7,561	3,937	4,039	4,136	523	560	592
EU – 27	729	802	836	2,511	2,656	2,715	3,104	3,224	3,349
Asia ex Asean/CIS (including China)	1,504	1,544	1,589	7,055	7,558	8,035	10,546	9,855	10,401
Other Asian countries	1,683	1,739	1,514	1,002	1,028	1,116	792	839	876
Other countries	1,798	1,925	1,945	1,440	1,464	1,514	889	964	1,009
Total	15,756	16,805	17,301	18,401	19,467	20,545	18,206	17,937	18,851
Adjustment for Primary Feed Shortage *(Note 1)*					–37	–261			
Allowance for Disruptions *(Note 2)*					–915	–1,189			
World	15,756	16,805	17,301	18,401	18,515	19,094	18,206	17,937	18,851
% change	1.47%	6.66%	2.95%	0.98%	0.62%	3.13%	0.80%	–1.48%	5.10%
Refined Production – Usage Balance							**195**	**578**	**243**

Source: International Copper Study Group

Note

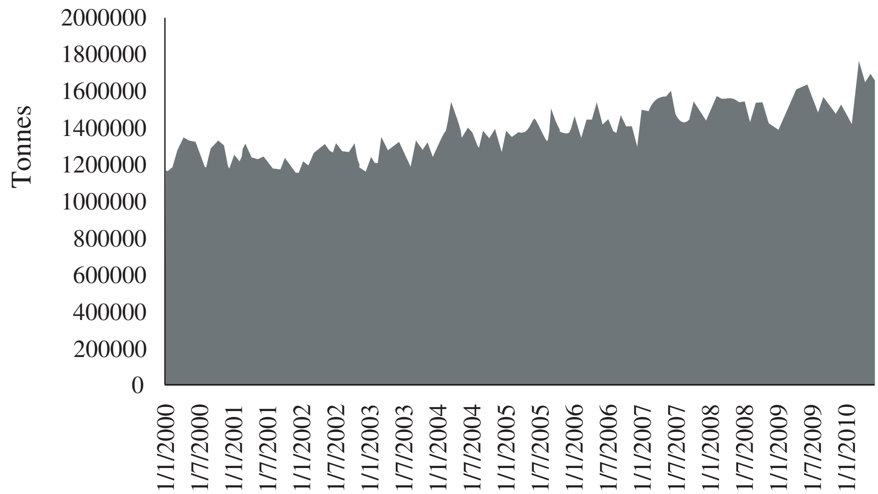
1. Based on a formula for the difference between the projected copper availability in concentrates and the projected use in primary refined production.

2. Based on supply deviations over the previous 5 years.

As shown in the above table, Asia (including Asean-10, Asia ex Asean/CIS and Asia-CIS) is projected to contribute more than half of the global total copper consumption. The PRC plays an important role in the global copper industry, and the rapidly expanding copper industry in the PRC has increased the level of copper consumption in the past years. Since the total consumption volume of refined copper in the PRC is greater than the total production volume of refined copper, imports are necessary to keep the PRC copper market moving.

The following chart illustrates the trends in world consumption of copper during the past 10 years.

World consumption of copper



Source: Bloomberg

Although there are uncertainties in copper consumption in the year 2010 due to a severe recession in 2008 and 2009 experienced by a number of major copper consuming regions. In view of the continual economic growth in the PRC, it is expected that demand for non-ferrous metals will be sustainably high in the long run. Recently, the PRC government has promulgated a series of economic stimulus measures and reinstated the non-ferrous metals industry. Various measures have been put in place to stimulate domestic demand and stabilize market conditions. All these measures would have a positive impact on the non-ferrous metals industry in the PRC.

Along with the positive driving force from the various stimulation measures in the PRC, we are of the view that the prospect for copper remains positive in the long run.

(b) Molybdenum

Molybdenum is used as an alloying agent in steel, cast irons and superalloys to enhance hardness, strength, toughness and resistance to wear and corrosion. It is a resources that applied in various area, including metallurgy, chemical, military, electronics, biomedicine, agriculture and other important areas. According to the article "Mineral Industry Surveys" issued by U.S. Department of the Interior and U.S. Geological Survey in August 2010, China is one of the largest primary molybdenum producers with approximately 93,500 tonnes of molybdenum output in 2009. Set out below is the forecasted world consumption of molybdenum by countries:

(10,000 tonnes)	**2009**	**2010 (Forecasted)**	**2011 (Forecasted)**	**2012 (Forecasted)**
W. Europe	6.3	6.3	5.7	3.9
United States of America	3.8	3.8	3.6	2.9
Japan	3.1	3.1	2.5	2.1
People's Republic of China	2.8	3.8	5.7	6.4
Others	3.3	3.6	3.8	3.5
World	19.3	20.6	21.3	18.8

Source: Technical Report on the Mine

As noted from the above, the demand of molybdenum in the PRC is forecasted to increase from 28,000 tonnes in 2009 to 38,000 tonnes in 2010 and 57,000 tonnes in 2011. As a result of the gradually recovery in the manufacturing industries and construction of certain projects in the PRC, it is expected that the demand for molybdenum could still maintain high level in the long run.

(F) Reasons for the proposed Acquisition

In view of (i) the positive trends of the copper and molybdenum industries above mentioned; (ii) the opportunities to diversify into the non-ferrous metals industries; and (iii) the prospect of the Mining Company and the potential reserves of the Mine, we concur with the view of the Directors that the Acquisition is beneficial for the Group to diversify its investment into the mining industry and to broaden its income source.

Principal terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)

(A) Basis of the Consideration and valuation methodology

The Consideration has been arrived at after arm's length negotiations between the Vendor and the Purchaser taking into account (i) the preliminary valuation on the Mine of approximately HK$741 million as at 31 March 2010 by the independent Valuer, as set out in the draft Valuation Report; (ii) the latest market statistics and future prospects of the non-ferrous metals industry; and (iii) the payment method of the Consideration.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the methodology, bases and underlying assumptions of the Valuation Report prepared by the Valuer.

(a) Valuation methodology

As noted from the Valuation Report, the Valuer has adopted the income approach which they consider to be the most appropriate method to assess the profitability of the Mine and has based on the discounted cash flow method to calculate the net present value of the Mine's future expected cash flows. The expected cash flows were determined from the net profits after tax. We consider that the income approach adopted by the Valuer is a reasonable approach in deriving the appraised value of the Mine.

(b) Factors considered in the Valuation

We noted that in arriving the Valuation, the Valuer has taking into consideration, including but not limited to, the following factors: (i) the business nature of the Mine; (ii) the financial and operational information related to the Mine; (iii) the specific economic environment and competition for the market in which the Mine is exposed to; (iv) market-derived investment returns of entities engaged in similar lines of business; (v) the financial and business risks related to the Mine, including the continuity of income and the projected future results; (vi) the Reserve Report indicating the amount of resource within the Mine; and (vii) the Feasibility Study Report indicating the expected production schedule, production process, revenue and related costs involved in the operation of the Mine.

In addition, weighted average cost of capital was adopted as the discount rate for the Valuation and the Valuer considers that the capital asset pricing model is an appropriate model for estimating of the cost of capital of the Mine with reference to the comparable companies. The comparable companies include Sichuan Western Resources Holding Co. Ltd. (Stock Code: 600139.CH), Western Mining Co., Ltd. (Stock Code: 601168.CH), China Molybdenum Co. Ltd. (Stock Code: 3993.HK), and Jinduicheng Molybdenum Co., Ltd. (Stock Code: 601958.CH).

We have reviewed the principal basis and assumptions upon which the Valuation is based. As discussed with the Valuer, the future investment cost in the Mine has also been taken in account for the Valuation. We concur with the view of the Directors that the Valuation has been made after due and careful enquiry. Based on the information available to us, we consider that the assumptions, the basis and the methodology for the Valuation are fair and reasonable. Nevertheless, Independent Shareholders are reminded that the revenues and profits cannot be projected with complete accuracy and are dependent on the assumptions made in the Valuation. As set out in the Valuation Report, the Mine is subject to uncertainty and there is no assurance that the business and/or the production plans of the Mine will materialize. Accordingly, the Valuation serves as a reference as to whether the operation of the Mine will yield the economic benefit as contained in the Feasibility Report and the Reserve Report.

Based on the Valuation Report, the fair value of the Mine was RMB741 million (approximately HK$846.22 million) as at 31 March 2010. Taking into account that (i) the Consideration represents a discount of approximately 11.37% to RMB296.40 million of the Valuation, being the portion attributable to the 40% effective equity interest in the Mining Company and (ii) the Company would increase its share of profit in respect of the Mining Company (details of which are set out in the section headed "Profit Sharing and Capital Commitment" below), we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

(c) Comparison between the Consideration with the Original Cost and the consideration of the Previous Acquisition

According to the "Letter from the Board", based on the Vendor's understanding, since (i) therewas no valuation conducted on the Mining Company for the acquisition of 40% equity interest in the Mining Company by the Beijing Company from Xinyuan Mining when the relevant memorandum of understanding ("Beijing Company MOU"), which stipulated that the purchase cost should be within the range of RMB25 million to RMB28 million was signed in December 2008; whilst the Consideration was determined with reference to the preliminary Valuation; (ii) the Beijing Company MOU was negotiated and entered into during the time of global financial crisis when the price of non-ferrous metals were generally decreasing; and (iii) the terms (including but not limited to the payment term) of the Acquisition by Beijing Company and the Acquisition are different. As such, the Consideration is higher than the Original Cost.

On the other hand, the Beijing Company and Xinyuan Company Mining have been in prolonged business relationship and the Beijing Company had assisted Xinyuan Mining in renewing the then expired Mining License. As mentioned in the "Letter from the Board", the Company began to contemplate the acquisition of additional equity interest in the Mining Company in March 2010, the Company could not approach Xinyuan Mining directly for its proposed acquisition of the Mining Company. In view of the established good relationship with Beijing Company, the Acquisition would allow the Company to control the entire board of directors of the Mining Company while the Consideration is comparable with the consideration under the Previous Acquisition.

(B) Settlement method of the Consideration

Pursuant to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), the Consideration of HK$300 million shall be settled by the Company in the following manner:

(i) HK$48.50 million by cash payable by the Company upon performance of a due diligence review to the satisfaction of the Purchaser in an absolute discretion basis, as refundable deposit. A further portion of the refundable cash deposit in the sum of HK$41.50 million will be paid by the Company within thirty Business Days (or any later date as agreed by the parties to the Sale and Purchase Agreement) of the execution of the Sale and Purchase Agreement; and

(ii) after deduction of the said deposit, the remaining HK$210 million by the issue of the Convertible Bonds in the principal amount of HK$210 million at the Conversion Price of HK$0.085 per Conversion Share within one month upon Completion to the Vendor.

The cash portion of the Consideration represents only approximately 30% of the Consideration, and the remaining balance of the Consideration will be settled by the issue of the Convertible Bonds with a term of maturity of three years. According to the "Letter from the Board", the initial deposit of HK$48.5 million and further deposit of HK$41.50 million were paid by the Company to the Vendor on 8 April 2010 and 20 August 2010 respectively and were financed by the monies from fund raising activities conducted during the period from March 2010 to August 2010.

(C) Convertible Bonds

To assess the reasonableness of the terms of the Convertible Bonds, we have reviewed and identified 25 convertible bonds/notes that were announced by the listed companies from the main board and GEM board of the Stock Exchange (the "CB Comparables") from 27 May 2010 to 28 August 2010. To the best of our knowledge and on a best effort basis, the table below represents an exhaustive list of all convertible bonds/notes issued by listed companies on the main board and GEM board of the Stock Exchange during the abovementioned period. Owing to the fact that the business, operation and prospect of the Company are not the same as the CB Comparables, Independent Shareholders should note that the CB Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved the issue of convertible notes/bonds. Set out below is a summary of our findings:

Date of announcement	Company name	Stock code	Conversion price (HK$)	Maturity (years)	Interest rate (%)	Premium/(discount) of conversion price over/(to) the closing price per share on the last trading day prior to the respective announcement/ the date of agreement in relation to the respective issue of convertible bonds/notes (%)
27-May-10	Qin Jia Yuan Media Services Company Limited	2366	1.3278	5	0.0	15.46
27-May-10	Qin Jia Yuan Media Services Company Limited	2366	1.3278	5	7.0	15.46
3-Jun-10	Info Communication Holdings Limited	8082	0.03	Approximately 5	1.0	(60.53)
4-Jun-10	Wo Kee Hong (Holdings) Limited	720	0.16	2	4.0	0.00
9-Jun-10	Fulbond Holdings Limited	1041	0.01	3	0.0	(50.00)
22-Jun-10	Omnicorp Ltd.	94	2.002	5	5.0	11.84
25-Jun-10	Crosby Capital Limited	8088	0.18	5	0.0	38.46
25-Jun-10	Beijing Properties (Holdings) Limited	925	0.65	5	0.0	(7.14)
6-Jul-10	Sau San Tong Holdings Limited	8200	0.5	2	2.0	(72.22)
23-Jul-10	Tack Fat Group International Ltd.	928	0.01	3	0.0	(99.75)
25-Jul-10	Hong Kong Resources Holdings Company Limited	2882	1.58	2	5.0	22.48
27-Jul-10	China Agrotech Holdings Limited	1073	1	5	0.0	21.95
28-Jul-10	Computech Holdings Limited	8081	0.128	2	2.0	53.50
29-Jul-10	China Asean Resources Limited	8186	0.044	5	0.0	(21.40)
2-Aug-10	Chevalier Pacific Holdings Limited	508	0.59	10	0.0	(7.09)

Date of announcement	Company name	Stock code	Conversion price (HK$)	Maturity (years)	Interest rate (%)	Premium/(discount) of conversion price over/(to) the closing price per share on the last trading day prior to the respective announcement/ the date of agreement in relation to the respective issue of convertible bonds/notes (%)
3-Aug-10	Hong Kong Resources Holdings Company Limited	2882	1.58	3	5.0	24.41
4-Aug-10	Suncorp Technologies Limited	1063	0.5	5	0.0	(30.94)
9-Aug-10	Freeman Corporation Limited	279	0.275	2	0.0	(12.70)
13-Aug-10	China Water Industry Group Limited	1129	0.15	2	0.25	14.50
16-Aug-10	Vitar International Holdings Limited	195	1.47	5	0.0	0.00
17-Aug-10	Chaoda Modern Agriculture (Holdings) Limited	682	8.1	5	3.7	(5.37)
20-Aug-10	CVM Minerals Limited	705	0.27	1	15.0	15.00
20-Aug-10	Kiu Hung Energy Holdings Limited	381	0.4	3	0.0	(11.11)
23-Aug-10	China Vision Media Group Limited	1060	1	3	9.0	9.89
28-Aug-10	Haier Electronics Group Co., Ltd.	1169	5.7	2	0.0	12.20
Maximum				10.0	15.0	53.50
Mean				3.8	2.4	(4.92)
Minimum				1.0	0.0	(99.75)
	The Company		0.085	3	3.0	32.81

(a) Conversion Price

The Conversion Price of HK$0.085 was determined at after arm's length negotiations between the Vendor and the Purchaser with reference to the stock market condition and the prevailing market price of the Shares. The initial Conversion Price represents:

(i) a premium of approximately 80.85% over the closing price of HK$0.047 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 32.81% over the closing price of HK$0.064 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 30.77% over the average of the closing prices of HK$0.065 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 23.19% over the average of the closing prices of HK$0.069 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 78.04% to the unaudited consolidated net asset value per Share of approximately RMB0.339 (equivalent to approximately HK$0.387) (based on the audited consolidated net asset value of the Group of approximately RMB618,219,000 (equivalent to approximately HK$706,006,098) as at 31 March 2010 and 1,823,789,499 issued Shares as at the date of the announcement regarding the Sale and Purchase Agreement, i.e. 27 August 2010).

As shown in the above, we note that the premium/(discount) of the conversion price over/(to) the closing price of the CB Comparables as at the last trading day ranged from a discount of approximately 99.75% to a premium of approximately 53.50% with the mean of a discount of approximately 4.92%. The premium of approximately 32.81% represented by the Conversion Price to the closing price per Share on the Last Trading Day is within the range. Based on the above comparison with the CB Comparables, we are of the view that the initial Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

(b) Interest rate

As set out in the table above, the interest rate of the CB Comparables ranges from 0 to 15% per annum. The Convertible Bonds bears an interest rate of 3% per annum, which falls within the range of the CB Comparables and is slightly higher than the average interest rate of approximately 2.4% per annum of the CB Comparables. We are of the view that the interest rate is fair and reasonable.

(c) Maturity

As set out in the table above, the maturities of the CB Comparables range from 1 to 10 years with an average of about 3.8 years. The Convertible Bonds have a maturity of 3 years, which falls within the range of the CB Comparables and is shorter than the average maturity of about 3.8 years of the CB Comparables.

Taking into consideration that (i) the Company paid HK$90 million as the cash portion for the settlement of the Consideration, representing only approximately 30% of the Consideration and the remaining balance of the Consideration will be settled by the issue of the Convertible Bonds with a term of maturity of three years; (ii) the initial Conversion Price represents a premium of 32.81% over the closing price of HK$0.064 per Share on the Last Trading Day; and (iii) the Group's capital base can be enlarged and the gearing of the Group can be reduced when the liabilities under the Convertible Bonds are converted into equity interest (details will be explained in the paragraph headed "Financial impact of the Acquisition"), we consider that the issue of the Convertible Bonds is fair and reasonable.

(d) Other terms of the Convertible Bonds

As disclosed in the "Letter from the Board", the holder(s) of the Convertible Bonds has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$500,000 or integral multiples thereof) on any Business Day after the date of issue of the Convertible Bonds up to the maturity date. However, it is restricted that (i) the holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) the holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the non-compliance with the public float requirements. The Conversion Shares will rank pari passu in all respects with the existing Shares in issue at the date of issue of the Conversion Shares.

As confirmed by the Directors, in view of the increased cost of funding for the Company, it may be difficult for the Company to secure borrowings/debts from banks or other financial institutions with favorable terms. As the other forms of equity financing (including placing, rights issue or open offer) may incur substantial costs related to placing commission or underwriting commission, the Directors are of the view that the issue of the Convertible Bonds offers the best balance in terms of financing flexibility and costs. As such, we concur with the Directors' view that the issue of the Convertible Bonds is a feasible, cost and time effective fund raising alternative currently available to the Company and is in the interest of the Company and the Independent Shareholders as a whole.

(D) Other major terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, Mr. Yang as the primary obligor (but not merely as a guarantor), as continuing security, unconditionally and irrevocably guarantees to the Purchaser that the Vendor shall duly and punctually perform and observe its obligations under the Sale and Purchase Agreement and pay all the money payable by the Vendor. The Guarantor also undertakes to the Purchaser that the Guarantor shall procure the Vendor to observe its obligations (whether expressed or implied) under the Sale and Purchase Agreement, including but not limited to the guarantee given by the Vendor.

We noted that the Sale and Purchase Agreement shall lapse in the event that any of the conditions precedent as set out in the "Letter from the Board" are not fulfilled or waived by the Purchaser in writing (as the case may be) on or before the Long Stop Date. In such event, the Vendor shall refund the deposit to the Purchaser within 10 Business Days upon receiving notice from the Purchaser. We have also reviewed the other terms of the Sale and Purchase Agreement and are not aware of any terms are of material irregularity.

(E) Supplemental Agreement

On 8 September 2010, the Purchaser, the Vendor and Mr. Yang entered into a supplemental agreement to the Sale and Purchase Agreement (the "Supplemental Agreement") in relation to (i) the provision of a loan of RMB27 million by Mr. Yang to Beijing Company for repayment of debt incurred by Beijing Company to finance its acquisition of the 40% equity interest in the Mining Company from Xinyuan Mining (the "Loan"); and (ii) the unconditional assignment of the Loan by Mr. Yang to the Purchaser at no consideration. As stated in the Supplemental Agreement, Mr. Yang shall irrevocably and unconditionally (a) assign the Loan to the Company without reducing the Consideration; and (b) forfeited the rights to claim any expenses, interests, damages or other claims under the Loan.

Taking into consideration of (i) the Consideration represents a discount of approximately 11.37% to RMB296.40 million of the Valuation, being the portion attributable to the 40% effective equity interest in the Mining Company; (ii) the Conversion Price represents a premium of approximately 32.81% over the closing price of HK$0.064 per Share on the Last Trading Day to be similar to the CB Comparables; (iii) the issue of the Convertible Bonds is one of the fund raising methods as compared to other financing alternatives and has no immediate shareholding dilution effect before exercising the conversion right of the Convertible Bonds; and (iv) pursuant to the Supplemental Agreement, Mr. Yang shall assign the Loan to the Company at nil consideration and forfeit the rights to claim any expenses, interests, damages or other claims under the Loan, we consider the terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Profit Sharing and Capital Commitment

Pursuant to the cooperative agreement entered into between Shanghai Jiyi and Xinyuan Mining on 28 July 2006 (the "Cooperative Agreement"), the profit sharing between Shanghai Jiyi and Xinyuan Mining in respect of the Mining Company is on a 50:50 basis during the payback period for the capital investment contributed by shareholders of the Mining Company, and after the payback of the shareholders' capital investment, the profit sharing ratio between Shanghai Jiyi and the then shareholder of the Mining Company will be adjusted to the ratio of 45:55. According to the "Letter from the Board", the Company's PRC legal advisers confirmed that the Cooperative Agreement remains valid and the profit sharing between Shanghai Jiyi and the Beijing Company in respect of the Mining Company shall be in accordance with the abovementioned ratio.

Upon completion of the Acquisition, the Company, through Shanghai Jiyi and Beijing Company, will enjoy an aggregate of 92.5% of the profit of the Mining Company based on a 50:50 basis during the payback period for the capital investment contributed by shareholders of the Mining Company. The Company will enjoy an aggregate of 93.25% of the profit of the Mining Company after the payback of the shareholders' capital investment.

In addition, based on the supplemental agreement to the Cooperative Agreement, in the event that the capital investment in the Mine at the development stage be less than RMB30 million (approximately HK$34.3 million), shareholders of the Mining Company shall make contributions by way of equity injection according to their respective equity interest in the Mining Company. If the capital investment is more than RMB30 million, the shareholders of the Mining Company shall contribute by way of shareholder's loan according to the ratio as set out in the Cooperative Agreement. Taken into account of (i) the possession of the control over the entire board of directors of the Mining Company and (ii) Beijing Company shall enjoy higher profit sharing ratio of the Mining Company regardless of its equity interest of the Mining Company, we consider that the profit sharing arrangement and the contribution ratio according to the respective shareholding in the Mining Company are reasonable.

Possible dilution to the existing shareholdings of the Independent Shareholders

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the Conversion Price; and (iii) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase

Agreement (as supplemented by the Supplemental Agreement) and the terms of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		After the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the Conversion Price		After the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.90% of the issued share capital of the Company *(Note 2)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Ms. Yu Wai Fong, the Director	102,526,071	4.69	102,526,071	2.20	102,526,071	3.29
Gold Trinity International Limited *(Note 1)*	113,207,861	5.18	113,207,861	2.43	113,207,861	3.63
The Vendor (or its nominees)	–	–	2,470,588,235	53.08	931,459,429	29.90
Public Shareholders	1,968,055,567	90.13	1,968,055,567	42.29	1,968,055,567	63.18
Total	2,183,789,499	100	4,654,377,734	100	3,115,248,928	100

Notes:

1. Gold Trinity International Limited is wholly-owned by Mr. Han Wei. As at the Latest Practicable Date, Gold Trinity International Limited is the holder of the convertible bonds issued by the Company on 27 July 2009 in an outstanding principal amount of HK$27 million at the conversion price of HK$0.073 per conversion Share.

2. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to the conversion restrictions under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the terms of the Convertible Bonds, holder(s) of the Convertible Bonds shall have the right to convert the Convertible Bonds into Conversion Shares provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.

3. As at the Latest Practicable Date, the Company has 14,108,000 outstanding share options granted under the share option scheme of the Company, carrying rights to subscribe for 14,108,000 Shares. Save for the aforesaid share options, the Company does not have any outstanding warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date. For clarification only, the shareholding structure shown in the above table has assumed no exercise of such share options.

4. As announced by the Company on 9 September 2010, the Company proposes to conduct the Capital Reorganisation which is expected to become effective on 11 October 2010.

As stated on the "Letter from the Board", there will not be a change in control of the Company as a result of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the terms of the Convertible Bonds. We also reviewed the other terms of the Convertible Bonds and the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) in relation to the possible dilution to the existing shareholdings of the Company and are not aware of any terms are of material irregularity.

Upon Completion and immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, assuming the Vendor or its nominee does not hold more than 29.90% of the issued share capital of the Company, an aggregate of 931,459,429 new Shares shall be issued, representing approximately 42.65% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 29.90% of the issued share capital of the Company as enlarged by the conversion of the Convertible Bonds into 931,459,429 new Shares (subject to the subject to the conversion restrictions under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the terms of the Convertible Bonds).

From the table above, we noted that the shareholdings of the public Shareholders would be diluted from approximately 90.13% to approximately 63.18% of the enlarged issued share capital of the Company following the allotment and issue of the Conversion Shares under the Convertible Bonds. It is inevitable that there will be a dilution effect on the shareholdings of the public Shareholders if the Convertible Bonds are converted. Having considered that the Group had cash and cash equivalents balance of approximately RMB73.78 million as at 31 March 2010 which will not be sufficient to settle the Consideration of HK$300 million, we consider the issue of the Convertible Bonds in settling part of the Consideration is in the interests of the Company and the Independent Shareholders. Given that (i) the issue of the Convertible Bonds is one of the fund raising methods comparable to other financing alternatives (for example, bank borrowings, open offer, rights issue or placing); (ii) the issue of the Convertible Bonds would not result in immediate dilution effect on shareholdings; (iii) the Conversion Price of HK$0.085, represents a premium of approximately 32.81% over the closing price on the Last Trading Day and falls within the range of those of the CB Comparables; and (iv) the Acquisition is beneficial for the Group to penetrate further into the non-ferrous metals industry, we are of the view that the possible dilution to the existing public Shareholders as a result of the proposed issue of Convertible Bonds is acceptable.

Risk factors

The Independent Shareholders should be aware that the Acquisition involves risks and uncertainties. Independent Shareholders are strongly encouraged to pay attention to the paragraph headed "Risk factors" in the "Letter from the Board" and the issues mentioned in the sub-section headed "Reserves of the Mine" as set out in this letter.

In addition, we consider that there are various uncertainties and business risks associated with the Acquisition, including but not limited to, (i) the marketability of the copper and ferro molybdenum and the time as to when the Mine will commence operation and (ii) there may not have a positive effect on the financial and business performance of the Company when the Mine commences its operation. Thus, Independent Shareholders should be aware of the market and industry risks and the possibility that the value of their existing investments in the Company may be eroded if the Mine cannot be developed which led to financial loss to the Group.

Financial impact of the Acquisition

(A) Earnings

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group. Accordingly, the entire results and assets and liabilities of Target Group will be consolidated into the financial statements of the Company. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to the Circular, assuming the Completion took place on 31 March 2010, the unaudited pro forma net loss of the Enlarged Group will be approximately RMB28.94 million.

Although there will not be any revenue contribution from the Target Group until the mining operation of the Mine commences, the Directors believe that the Acquisition may bring an advantageous effect to the Group in a long term in view of the opportunity to penetrate further into the non-ferrous metals industry and the prospect of the non-ferrous metals industry.

(B) Gearing

According to the 2010 Annual Report, the Group had total liabilities of approximately RMB148.34 million and the gearing ratio of the Group (expressed as the Company's total liabilities to total equity) was approximately was 0.24 times as at 31 March 2010. According to the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming the Completion took place on 31 March 2010, the total assets would decrease to approximately RMB682.49 million and the total liabilities would increase to approximately RMB367.68 million. Based on the above, the gearing ratio of the Group would increase from 0.24 times to 1.17 times. The increase in the gearing ratio was due to the issue of the Convertible Bonds in the principal amount of HK$210 million to settle part of the Consideration.

(C) Working Capital

As stated in the "Letter from the Board", a portion of the Consideration for the Acquisition of HK$90 million has been settled by the internal resources of the Group. We note from the unaudited pro forma financial information of the Enlarged Group in Appendix III to the Circular, the Acquisition would result in a shortfall in cash and cash equivalents of approximately RMB15.69 million as if the Acquisition had been completed as at 31 March 2010, which represents a large portion of the first installment of the Consideration. We understand that such shortfall had been made up by the net proceeds from various fund raising activities conducted during the period from March 2010 to August 2010, including the top-up placing and subscription and new share placing.

According to the cash flow projections for the period from September 2010 to September 2011, the Enlarged Group will have cash inflows of approximately RMB8.13 million from the rental income of the existing property investment and cash outflows of approximately RMB84.45 million mainly for administrative expenses, loan repayments and interests, and capital expenditures for the Mine. Accordingly, the Enlarged Group will have net cash outflow of approximately RMB76.22 million for the year immediately following the date of the Circular.

We have also reviewed the comfort letter issued by the auditors of the Company and discussed the cash flow projections with the management and auditors of the Company. The Directors, after due and carefully enquiry, are of the opinion that following the Completion, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group, after the completion of the Acquisition and contributing the required expected investment capital into the Mining Company, will have sufficient working capital for its present requirements for a period of 12 months from the date of the Circular.

Given that the Mine requires huge amounts of the capital investment which will lead a negative impact on the liquidity position of the Enlarged Group, we consider that the Acquisition may put the Company's financial position at risk. The management of the Company confirmed that they will try their best effort to seek alternative equity/debt financing methods in order to finance the Enlarged Group in the future. The Directors confirm to us that they will monitor the liquidity position of the Enlarged Group and expenditures of the Target Group after Completion. The Independent Shareholders should note that the progress of the mining project may be affected if no funding is successfully raised in near future.

Independent Shareholders should also be aware that there is no guarantee that the Company can raise sufficient amount for capital investment of the Mine although the Acquisition may bring advantages to the Group. Under the principle of "high risk high return", the Independent Shareholders should note that they will bear high risks of their investments while enjoying the possible of high returns in the Shares. Despite the possible risks above mentioned, we consider that the Acquisition is beneficial for the Group to penetrate further into the non-ferrous metals industry, and therefore concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Furthermore, we strongly recommend the Independent Shareholders to read the "Letter from the Board" and consider the merits and risk factors of the Acquisition before they cast their votes in the SGM. We also understand that Independent Shareholders are at liberty to vote according to their personal preference and circumstances. He/she/it should consult their own professional advisers if he/she/it is in any doubt about their positions.

(D) Net Assets Value

Based on the unaudited pro forma balance sheet of the Enlarged Group set out in Appendix III to the Circular, the Enlarged Group will have net assets of approximately RMB314.80 million assuming the Completion took place on 31 March 2010. The decrease in the net assets value was mainly due to the the issue of the Convertible Bonds in the principal amount of HK$210 million to settle part of the Consideration and the increase in other payables and accruals.

The Independent Shareholders should note that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Acquisition is in the ordinary and usual course of the Company's business and are of the view that the terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and the transactions contemplated thereunder is fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the upcoming SGM to approve the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

A. THREE YEARS FINANCIAL INFORMATION

The financial information of the Group for (i) the year ended 31 March 2010 is disclosed in the annual report of the Company for the year ended 31 March 2010 published on 29 July 2010, from pages 22 to 108; (ii) the year ended 31 March 2009 is disclosed in the annual report of the Company for the year ended 31 March 2009 published on 30 July 2009, from pages 19 to 80; and (iii) the year ended 31 March 2008 is disclosed in the annual report of the Company for the year ended 31 March 2008 published on 29 July 2008, from pages 23 to 115. All of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.736.com.hk).

B. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2010, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately of HK$65,094,000 (equivalent to RMB57,000,000), which comprised secured bank loans of approximately HK$65,094,000 (equivalent to RMB57,000,000). The secured bank loans were secured by the investment properties of the Enlarged Group of approximately HK$222,947,000 as at the valuation dated 31 July 2010.

Save for the aforesaid, the Enlarged Group did not have any other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees, or other material contingent liabilities outstanding.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximately rates of exchange prevailing as at 31 July 2010.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since 31 July 2010.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Group were made up.

D. WORKING CAPITAL STATEMENT

The Directors, after due and carefully enquiry, are of the opinion that following the Completion, after taking into account the financial resources available to the Enlarged Group, including internally generated fund and the available banking facilities, the Enlarged Group, after the completion of the Acquisition and contributing the required expected investment capital into the Mining Company, will have sufficient working capital for its present requirements for a period of 12 months from the date of this circular.

The following is the text of a report, prepared for the purpose of incorporating in this circular, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

The Directors
China Properties Investment Holdings Limited

17 September 2010

Dear Sirs

We set out below our report regarding the financial information (the "Financial Information") of Universe Prosper Limited ("UPL") and its subsidiaries (hereinafter collectively referred to as "UPL Group") set out in Sections A to F below, for inclusion in the circular of China Properties Investment Holdings Limited (the "Company") dated 17 September 2010 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in UPL by the Company. The Financial Information comprises the combined statement of financial position as at 31 March 2010, and the combined statement of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of UPL Group for the period from 2 June 2009 (the date 楊文華 "Mr. Yang" controlled Sinowood Holdings Limited through his shareholding in Star Lucky Limited) to 31 March 2010 (the "Period"), and a summary of significant accounting policies and other explanatory notes.

UPL was incorporated in the British Virgin Islands on 12 March 2010 as a private company with limited liability. Through a group reorganisation as explained in note 1 of Section F, UPL has become the holding company of UPL Group since 23 June 2010.

As at the date of this report, UPL has the following subsidiaries:

Name of subsidiary	Place and date of establishment	Issued and fully paid share capital/paid up capital	Percentage of equity attributable to UPL Group		Principal activities
			Direct	Indirect	
Sinowood Holdings Limited	Hong Kong	HK$1	100%	–	Investment holding
東滙源科技(深圳)有限公司 (Dong Hui Yuan Technology (Shenzhen) Co., Ltd.*) "Shenzhen Company"	Mainland China (the "PRC") for a term of 20 years commencing from 15 January 2010 as a wholly foreign owned enterprise	RMB500,000	–	100%	Investment holding
北京海創天元貿易有限公司 (Beijing Hai Chong Tianyuan Trading Co., Ltd.*) "Beijing Company"	PRC for a term of 20 years commencing from 24 April 2007 as a wholly foreign owned enterprise	RMB500,000	–	100%	Investment holding
上海躍寶商貿有限公司 (Shanghai Yue Bao Trade Co., Ltd.*) "Shanghai Company"	PRC for a term of 20 years commencing from 31 August 2006 as a wholly foreign owned enterprise	RMB500,000	–	100%	Investment holding

The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations generally accepted in the PRC and were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Financial period	Auditor
上海躍寶商貿有限公司 (Shanghai Yue Bao Trade Co., Ltd.*)	Year ended 31 December 2009	上海民信會計事務所有限公司 (Shanghai Minxin Certified Public Accountants Co., Ltd.*)
北京海創天元貿易有限公司 (Beijing Hai Chong Tianyuan Trading Co., Ltd.*)	Year ended 31 December 2009	北京中立誠會計師事務所有限公司 (Beijing Zhonglicheng Certified Public Accountants Co., Ltd.*)

* *for identification purposes only*

No audited financial statements have been prepared for Sinowood Holdings Limited and Shenzhen Company for the period from the date of the incorporation/establishment as they have not reached the first financial year end in accordance with the relevant rules and regulations in Hong Kong and the PRC.

No audited financial statements have been prepared for UPL which was incorporated in the British Virgin Islands as UPL was incorporated in jurisdiction where there are no statutory audit requirements.

Basis of preparation

For the purpose of this report, the directors of UPL have prepared the consolidated financial statements of the UPL Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Respective responsibilities of directors and reporting accountants

The directors of UPL are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

We audited the Underlying Financial Statements for the period, which were prepared in accordance with HKFRSs. We have examined the Underlying Financial Statements for the Period in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by HKICPA.

The Financial Information of UPL and the UPL Group for the period set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The directors of UPL are responsible for the Underlying Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

Basis for audit opinion

In our opinion, the Financial Information for the period ended 31 March 2010, for the purpose of this report, gives a true and fair view of the state of affairs of UPL and UPL Group as at 31 March 2010 and of the UPL Group's results and cash flows for the Period.

Without qualifying our opinion, we draw attention to note 2(b) to the Financial Information concerning the adoption of the going concern basis on which the Financial Information has been prepared. As further explained in that note, the Financial Information of the UPL Group has been prepared on a going concern basis, notwithstanding that the UPL Group had net current liabilities of RMB416,087 as at 31 March 2010, and incurred a loss attributable to equity shareholders of UPL of RMB336,807 for the period ended 31 March 2010. Theses conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the UPL Group to continue as a going concern.

A. COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period from 2/6/2009 (date of incorporation) to 31/3/2010 RMB
Turnover	7	–
Cost of sales		–
Gross profit		–
Other revenue	8	1,944
Administrative expenses		(175,048)
Loss from operations		(173,104)
Finance costs		(3,414)
Excess payment of acquisition	23	(160,289)
Loss before taxation	9	(336,807)
Income tax	10	–
Loss for the Period		(336,807)
Other comprehensive income		
Other comprehensive income, net of tax		–
Total other comprehensive income, net of tax		–
Total comprehensive loss for the Period		(336,807)
Attributable to:		
Owners of UPL		(336,807)
Loss per share		
Basic and diluted	14	(336,807)

B. COMBINED STATEMENT OF FINANCIAL POSITION

	Note	As at 31/3/2010 RMB
Non-current assets		
Plant and equipment	*15*	68,365
Available-for-sale investment	*17*	27,000,000
		27,068,365
Current assets		
Other receivables	*18*	5,341,288
Cash and cash equivalents	*19*	523,167
		5,864,455
Current liabilities		
Other payables	*20*	(33,348,907)
Net current liabilities		(27,484,452)
Net liabilities		(416,087)
Capital and reserves		
Share capital	*21*	7
Reserves	*22*	(416,094)
Total equity		(416,087)

C. STATEMENT OF FINANCIAL POSITION

		As at 31/3/2010
	Note	*RMB*
Current assets		
Cash and cash equivalents	*19*	7
Net assets		7
Capital and reserves		
Share capital	*21*	7
Total equity		7

D. COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB*	Merger reserve *RMB*	Accumulated losses *RMB*	Total *RMB*
At 2 June 2009 (date of incorporation)	–	–	–	–
Issue of a new share	7	–	–	7
Total comprehensive loss for the Period	–	–	(336,807)	(336,807)
Combination of common control business	–	(79,287)	–	(79,287)
At 31 March 2010	7	(79,287)	(336,807)	(416,087)

E. COMBINED STATEMENT OF CASH FLOWS

	For the period from 2 June 2009 (date of incorporation) to 31 March 2010
	RMB
Cash flows from operating activities	
Loss before taxation	(336,807)
Adjustments for:	
Depreciation	3,715
Interest income	(1,944)
Excess payments of acquisition	160,289
Operating loss before changes in working capital	(174,747)
Decrease in other receivables	1,142,062
Increase in other payables	43,792
Cash generated from operations	1,011,107
Tax paid	
Overseas Income tax paid	–
Net cash generated from operating activities	1,011,107
Investing activities	
Purchase of plant and equipment	(9,343)
Net cash outflow from acquisition of a subsidiary	(499,927)
Net cash used in investing activities	(509,270)
Financing activities	
Interest income	1,944
Proceeds from share issued	7
Net cash generated from financing activities	1,951
Net increase in cash and cash equivalents	503,788
Cash and cash equivalents at beginning of period	19,379
Cash and cash equivalents at end of period	523,167

F. NOTES TO THE FINANCIAL INFORMATION

1. Group Reorganisation and Basis of Presentation of Financial Information

In preparation for the proposed acquisition of UPL by the Company, UPL underwent a group reorganization which included the following steps:

a) On 1 February 2010, Mr. Yang acquired the control of Shanghai Company by acquiring its entire paid up capital from independent third parties for a cash consideration of RMB500,000. On 15 March 2010, Shenzhen Company acquired the entire paid up capital of Shanghai Company from Mr. Yang for a cash consideration of RMB500,000. The results and cash flows of Shanghai Company were incorporated in the combined financial statements since Shanghai Company was under the common control of Mr. Yang.

b) On 23 June 2010, UPL acquired the entire equity interest of Sinowood Holdings Limited from Star Lucky Group Limited, a company controlled by Mr. Yang for a cash consideration of HK$1. Thereafter, UPL became the holding company of UPL Group.

Resulting from the group reorganization, UPL Group is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income and cash flows for the Period include the results and cash flows of the companies now comprising UPL Group and have been prepared by applying the principles of merger accounting, as if the group structure upon the completion of the group reorganization had been in existence throughout the Period, or since the respective dates of incorporation/establishment of the companies or the dates the companies came under the control of Mr. Yang where this is a shorter period.

2. Significant Accounting Policies

a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRS which collective term includes all applicable individual Hong Kong Financing Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by UPL Group is set out below.

b) Going concern basis

As at 31 March 2010, UPL Group had net liabilities of RMB416,087. Given UPL Group's consolidated liabilities mainly comprise other payables of RMB33,348,907, its ability to continue as a going concern depends on the support from the shareholder. The shareholder has undertaken to provide continuing financial support to UPL Group as may be necessary to enable it to operate as a going concern and meet its obligation in full as and when they fall due.

Based on the above, the directors are of the opinion that UPL Group will remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis. The Financial Information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should UPL Group be unable to continue as a going concern.

c) Basis of preparation of the Financial Information

Business combinations under common control

Application of merger accounting

Since Sinowood Holdings Limited and Shanghai Company were both controlled by Mr. Yang before and after the completion of the reorganisation as mentioned in Note 1, the reorganisation has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 'Merger Accounting for Common Control Combinations' issued by the HKICPA.

The combined financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since Mr. Yang controlled the Company, Sinowood Holdings Limited and Shanghai Company. For companies acquired from third parties during the year, they would be included in the consolidated financial statements of the Group from the date of that acquisition. The entities comprising UPL Group were effectively controlled by Mr. Yang and are listed as follows:

Entities under the control of Mr. Yang	Commencement of control
Universe Prosper Limited	March 2010
Sinowood Holdings Limited	June 2009
Shanghai Company	February 2010

The combined financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination, to the extent of the continuation of the controlling party's interest.

The following is a reconciliation of the effect arising from the common control combination on the combined statement of comprehensive income and combined statement of financial position pursuant to AG5.

Combined statement of comprehensive income

	UPL	Sinowood Holding Limited	Shanghai Company and its subsidiary		Adjustments	Combined
	RMB	*RMB*	*RMB*	*Note*	*RMB*	*RMB*
Period ended 31 March 2010						
Revenue	–		–		–	–
Loss before tax expenses	–	(40,206)	(296,601)		–	(336,807)
Income tax expenses	–	–	–		–	–
Loss for the year	–	(40,206)	(296,601)		–	(336,807)

Combined statement of financial position

	UPL	Sinowood Holding Limited	Shanghai Company and its subsidiary		Adjustments	Combined
	RMB	*RMB*	*RMB*	*Note*	*RMB*	*RMB*
As at 31 March 2010						
ASSETS						
Non-current assets	1	507,044	27,061,322	*(i)*	(500,001)	27,068,366
Current assets	6	501,421	5,363,027		–	5,864,454
Total assets	7	1,008,465	32,424,349		(500,001)	32,932,820
EQUITY						
Share capital	7	1	500,000	*(i)*	(500,001)	7
Merger reserve	–		–	*(ii)*	(79,287)	(79,287)
Retained profits	–	(40,206)	(375,888)	*(ii)*	79,287	(336,807)
Total equity	7	(40,205)	124,112		(500,001)	(416,087)
LIABILITIES						
Current liabilities	–	(1,048,670)	(32,300,237)		–	(33,348,907)
Total equity and liabilities	(7)	(1,008,465)	(32,424,349)		500,001	(32,932,820)

Notes:

(i) Adjustments to eliminate the share capital of the combining entities against investment cost.

(ii) Adjustments for the merger reserve.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

Items included in the financial statements of each entity in the UPL Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Renminbi ("RMB"). Renminbi is the company's functional and presentation currency.

d) Common control combinations

The Financial Information incorporates the financial information of the combining entities in which the common control combination occurs on the basis that they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing carrying values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented on the basis that the entities had been combined at the end of the previous reporting period when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees etc., incurred in related to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

e) Subsidiaries

Subsidiaries are entities controlled by UPL Group. Control exists when UPL Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unreallised profits arising from intra group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent there is no evidence of impairment.

In UPL's statement of financial position, an investment in a subsidiary is carried at cost less any impairment losses (see note 2(i)), unless the investment is classified as held for sale.

f) Available-for-sale investment

Avaliable-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Avaliable-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

g) Plant and equipment

Plant and equipment are carried at the end of reporting period at cost less accumulated depreciation and impairment losses (see note 2(i)).

Gain or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimate useful lives as follows:

Furniture and office equipment	5 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if UPL Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where UPL Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

i) Impairment of assets

(i) Impairment of other receivables

Other receivables that are carried at cost or amortised are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For other receivables that are carried at amortised cost, the impairment loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decrease and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

– plant and equipment; and
– available-for-sale investment

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e, a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

j) Other receivables

Other receivables are initially recognised at fair value and thereafter carried at amortised cost less impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less impairment losses for bad and doubtful debts (see note 2(i)).

k) Other payables

Other payables are initially recognised at fair value and thereafter carried at amortised cost unless the effect would be immaterial, in which case they are carried at cost.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

m) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial report purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognsied. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in period into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they related to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognsition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences related to investments in subsidiaries to the extent that, in the case of taxable differences, UPL Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when liability to pay the related dividends is recognised. Current tax balances and deferred tax balance, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if UPL or UPL Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, UPL or UPL Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

n) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when UPL Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Revenue recognition

Provided it is probable that the economic benefits will be derived by UPL Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

Interest income is recognised as it occurs using the effective interest method.

p) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

q) Related parties

For the purposes of the Financial information, parties are considered to be related to UPL Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control UPL Group or exercise significant influence over UPL Group in making financial and operating policy decisions, or has joint control over UPL Group;

ii) UPL Group and the party are subject to common control;

iii) the party is an associate of UPL Group or a joint venture in which UPL Group is a venturer;

iv) the party is a member of key management personnel of UPL Group or UPL Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals; or

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefits plan which is for the benefit of employees of UPL Group or of any entity that is a related party of UPL Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The UPL Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRSs 5 which is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

4. Financial Risk Management Objectives and Policies

UPL Group's major financial instruments include other receivables and other payable. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Interest rate risk

UPL Group has no significant interest bearing liabilities. UPL Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is credited to the income statement as earned.

b) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates which will affect the UPL Group's financial results and its cash flows.

UPL Group mainly operate in PRC and Hong Kong. Most of the UPL Group's transactions, assets and liabilities are denominated in RMB or Hong Kong Dollars.

Most of UPL Group's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they relate.

Foreign exchange risk arises from net investments in foreign operations, UPL Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

c) Credit risk

i) During the financial period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position after deducting any impairment allowance.

ii) UPL Group limits its exposure to credit risk by placing deposits with financial institutions that meet established credit or other criteria. Given the high ratings, management does not expect any counterparty to fail to meet its obligations.

d) Fair value

The fair values of other receivables and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

All financial instruments are carried at amounts not materially different from their fair values for the accounting period.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are currently evaluated and are based on historical experience and other factors, including expectations of future-events that are believed to be reasonable under the circumstances.

UPL Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

a) Critical accounting judgements in applying UPL Group's accounting policies

Certain critical accounting judgements in applying UPL Group's accounting policies are described below.

Going concern basis

As mentioned in Note 2(b) to the Financial Information, the directors are satisfied that UPL Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that UPL Group will be able to continue in operational existence in the foreseeable future, the Financial Information has been prepared on a going concern basis.

If the application of the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the profit for the period and the net assets of UPL Group.

6. Segment Reporting

UPL Group conducts its business within one business segment, that is the business of investment holding. Accordingly, no business segment information is presented. The Group operates within geographical segment namely in PRC and Hong Kong. Over 90% of segment assets, liabilities and capital expenditure are located in the PRC and therefore no geographical segments are presented.

7. Turnover

The principal activity of UPL Group is investment holding during the Period.

8. Other Revenue

	2/6/2009 to 31/3/2010 *RMB*
Interest income *	(1,944)
	(1,944)

* *It represented total interest income on financial assets not at fair value through profit or loss.*

9. Loss Before Taxation

Loss before taxation is arrived at after charging:

Other items

	2/6/2009 to 31/3/2010 *RMB*
Auditor's remuneration *	–
Depreciation – Owned fixed assets	3,715

* *No Auditors' remuneration was paid by the shareholder for the Period*

10. Income tax in the Income Statement

a) No Hong Kong profits tax has been provided for in the Financial information as the UPL Group has no assessable profits in Hong Kong for period ended 31 March 2010.

PRC enterprise income tax (the "EIT") rate applicable for the period ended 31 March 2010 is 25%. No EIT has been provided for as the UPL Group has incurred loss for the period.

Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, 10% withholding tax (applicable to PRC subsidiaries which pay dividend, interest, rent, royalty to non-resident companies) will be levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui 2008 No.1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax law and regulations are exempted from the withholding tax.

No deferred tax liabilities have been recognised as the UPL controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the UPL Group's PRC subsidiaries for the year from 1 April 2009 to 31 March 2010 will not be distributed in the foreseeable future.

b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	2/6/2009 to 31/3/2010 *RMB*
Loss before taxation	(336,807)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(82,646)
Tax effect of unrecognized tax losses	82,646
Tax expense	–

No deferred tax asset has been recognised in relation to the tax losses of RMB18,308 as it is not probable that future taxable profit will be available against which the tax losses can be utilised.

11. Directors' Emoluments

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance during the Period is RMB Nil.

No emoluments or discretionary bonus were paid by the UPL Group to the directors as an inducement to join or upon joining the UPL Group or as compensation for loss of office during the Relevant Periods. No director of the UPL Group waived or agreed to waive any emoluments or discretionary bonus during the Period.

12. Individual With Highest Emoluments

The UPL Group did not conduct any business other than investment holding during the Period, and therefore no staff cost were incurred for the Period.

13. Loss Attributable to Equity Owners of UPL

The combined loss attributable to equity owners of UPL includes a loss of Nil for the Period which has been dealt with in the Financial Information of UPL.

14. Loss Per Share

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity owners of the Company of RMB336,807 and the weighted average number of 1 ordinary share in issue during the Period.

b) Diluted loss per share

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding for the Period presented.

15. Plant and Equipment

	Furniture and office equipment *RMB*
Cost	
Additions	72,080
At 31 March 2010	72,080
Accumulated depreciation	
Charge for the period	(3,715)
At 31 March 2010	(3,715)
Carrying amount	
At 31 March 2010	68,365

16. List of Subsidiaries

The following list contains the particulars of subsidiaries of UPL Group. The class of share held is ordinary unless otherwise stated.

Company	Place and date of establishment	Issued and fully paid up capital	Percentage of equity attributable to UPL Direct	Percentage of equity attributable to UPL Indirect	Principal Activities
Sinowood Holdings Limited (Note 1)	Hong Kong 2 June 2009	HK$1	100%	–	Investment holding
Shenzhen Company (Note 2,3)	PRC for a term of 20 years commencing from 15 January 2010 as a wholly foreign owned enterprise	RMB500,000	–	100%	Investment holding
Beijing Company (Note 2,3)	PRC for a term of 20 years commencing from 24 April 2007 as a wholly foreign owned enterprise	RMB500,000	–	100%	Investment holding
Shanghai Company (Note 2,3)	PRC for a term of 20 years commencing from 31 August 2006 as a wholly foreign owned enterprise	RMB500,000	–	100%	Investment holding

Notes:

1. All of these are controlled subsidiaries as defined under note 2(c) and have been combined into UPL Group Financial Information.

2. All of these are controlled subsidiaries as defined under note 2(e) and have been consolidated into UPL Group Financial Information.

3. Registered under the laws of PRC as a limited liability company.

17. Available-for-sale Investment

	At 31/3/2010
	RMB
Unlisted shares, at cost	27,000,000

The followings are the particulars of investment, in an unlisted corporate entity.

Name of company	Place of incorporation/ establishment and operation	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiaries	Principal Activity
克什克騰旗大地礦業有限公司 ("Keshi Ketengqi Great Great Land Mine Industries Company Limited"*) (Keshi Ketengqi)	PRC	40%	–	40%	Mining

18. Other Receivables

	As at 31/3/2010
	RMB
Other receivables	5,341,288

All of other receivables are expected to be recovered within one year.

19. Cash and Cash Equivalents

	As at 31/3/2010 UPL Group	UPL
	RMB	*RMB*
Cash at bank and in hand	523,167	7
Cash and cash equivalents in the combined statement of financial position and the combined statement of cash flows	523,167	7

* *for identification purposes only*

20. Other Payables

	As at 31/3/2010	
	UPL Group	**UPL**
	RMB	*RMB*
Other payables	19,826,056	–
Consideration payable*	13,000,000	–
Due to a director **	522,851	–
Financial liabilities measured at amortised cost	33,348,907	–

All of the other payables are expected to be settled within one year.

* The consideration payable represents the balance of consideration for the acquisition of available for sale investments.

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

21. Share Capital

	Number of shares	**Nominal Value**
		RMB
Authorised:		
Ordinary shares of US$1 each		
At 31 March 2010	50,000	350,000
Issued and fully paid:		
Ordinary shares of US$1 each		
At 31 March 2010	1	7

22. Reserves

a) UPL Group

	Merger reserve	**Accumulated losses**	**Total**
	RMB	*RMB*	*RMB*
Loss for the period and at 31 March 2010	–	(336,807)	(336,807)
Combination under common control business	(79,287)	–	(79,287)
At 31 March 2010	(79,287)	(336,807)	(416,094)

UPL

	Accumulated losses	**Total**
	RMB	*RMB*
Loss for the period and at 31 March 2010	–	–

b) ***Nature and purpose of reserves***

Merger reserve

Merger reserve as at 31st March, 2010 represented (i) the difference between the cash consideration paid by UPL Group of RMB500,000 and the amount of the net assets of Shanghai Company of RMB420,713 acquired.

c) ***Capital management***

UPL Group's objectives when managing capital are to ensure that entities in UPL Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, UPL Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

23. Acquisition of a Subsidiary

Acquisition of assets and liabilities through acquisition of a subsidiary

On 8 February 2010, Shanghai Company entered into a sale and purchase agreement with an independent third party, Mr. Cheng Yuan* (程遠), for the acquisition of the entire equity interest in Beijing Company for a consideration of approximately RMB500,000. The completion date of the agreement was 8 February 2010, which is also the acquisition date for accounting purpose. The Group accounted for the acquisition of subsidiary as an asset acquisition.

Beijing Company is an investment holding company incorporated in the PRC.

Details of the net assets acquired in respect of the acquisition of Beijing Company are summarized below:

	Previous carrying amount	**Allocation of acquisition consideration**
	RMB	*RMB*
Other receivables	1,483,350	1,483,350
Bank balances and cash	73	73
Other payables	(1,143,712)	(1,143,712)
	339,711	339,711
Excess payment of acquisition		160,289
Total consideration		500,000
Total consideration satisfied by:		
Cash		500,000
Net cash outflow arising on acquisition:		
Cash consideration paid		(500,000)
Bank balances and cash acquired		73
Net cash outflow of cash and cash equivalents in respect of acquisition of the subsidiary		(499,927)

* *For identification only*

The subsidiary acquired contributed RMB Nil to UPL Group's turnover and net loss of RMB136,312 to the consolidated net loss for the period between date of acquisition and the end of the reporting period.

If the acquisition had been completed on 2 June 2009, total group revenue for the period would not change and the loss for the year would have been increased RMB239,576. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 2 June 2009, nor is it intended to be a projection of future results.

Major non-cash transaction

On 8 March 2010, Beijing Company acquired 40% equity interest of Keshi Ketengqi at a consideration of RMB27,000,000 and Keshi Ketengqi is classified as available-for-sale investment (Note 17). Part of the consideration of RMB14,000,000 was paid by an independent third party on its behalf. The remaining balance of the consideration of RMB13,000,000 was still outstanding as at 31 March 2010. Both balances are booked in other payables (Note 20).

24. Related Party Transactions

The following is a summary of the significant transactions with related parties during the period under review and at year end.

a) Key management personnel remuneration

All members of key management personnel are the directors of UPL, and the remuneration for them is disclosed in Note 11.

b) The outstanding balance of related parties as at 31 March 2010 is disclosed in Note 20.

25. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet effective for the period beginning 1 January 2010

Up to the date of issue of these Financial informations, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the period beginning 1 January 2010.

The Company has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimun Funding Requirement[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the UPL Group anticipate that the application of the other new and revised Standards, Amendments or interpretations will have no material impact on the financial statements.

26. Events after the reporting period

a) After the end of the reporting period, an independent third party advanced a loan of RMB13 million to the Beijing Company to repay the balance of consideration for the acquisition of available-for-sale investment.

b) In order to repay the other payables of Beijing Company in relation to the consideration for the acquisition of available-for-sale investment, Beijing Company entered into a loan agreement with Mr. Yang on 30 August 2010, pursuant to which Mr. Yang agreed to provide a loan of RMB27 million to Beijing Company. Beijing Company subsequently used the proceeds of the loan to repay the other payables, namely as 上海澳旗商貿有限公司 (Shanghai Ao Qi Trading Co., Ltd)*, Shanghai Company, 上海霖泊商貿發展有限公司 (Shanghai Linbo Trading Limited Company)* for the amount of RMB12 million, RMB11 million and RMB4 million respectively.

c) On 9 September 2010, China Properties Investment Holding Limited, Mr. Yang and Beijing Company entered into a loan assignment agreement. Pursuant to the loan assignment agreement, Mr. Yang agreed to assign the loan of amount RMB27 million, which provided by Mr. Yang and incurred by Beijing Company as stated in (b) above, to China Properties Investment Holding Limited.

* *For Identification only*

27. Subsequent Financial Statements

No audited financial statements have been prepared by UPL Group in respect of any period subsequent to 31 March 2010.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung Sik Hung
Practising Certificate Number P05206

The following is the text of a report, prepared for the purpose of incorporating in this circular, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

The Board of Directors
China Properties Investment Holdings Limited

17 September 2010

Dear Sirs,

We set out below our report regarding the financial information (the "Financial Information") of Keshi Ketengqi Great Land Mine Industries Company Limited* ("Keshi Ketengqi") set out in Sections A to F below, for inclusion in the circular of China Properties Investment Holdings Limited (the "Company") dated 17 September 2010 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in Universe Prosper Limited by the Company. The Financial Information comprises the statement of financial position as at 31 December 2007, 2008 and 2009, and 31 March 2010 and the statement of comprehensive income, the statements of changes in equity and the statements of cash flows of the Keshi Ketengqi for each of the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Keshi Ketengqi was established in the People's Republic of China (the "PRC") on 23 August 2006 as a limited liability company and the principal activity was mining. Keshi Ketengqi did not commence business during the Relevant Periods.

The statutory financial statements of Keshi Ketengqi each of the year ended 31 December 2007, 2008 and 2009 were prepared in accordance with the relevant accounting principles and financial regulations generally accepted in the PRC and was audited by the 內蒙古萬泰華會計師事務所(Inner Mongolia Wantaihua Certified Public Accountants Co., Ltd.*), which is certified public accountants registered in the PRC.

* *For identification only*

BASIS OF PREPARATION

For the purpose of this report, the directors of Keshi Ketengqi have prepared the financial statements of the Keshi Ketengqi (the "Underlying Financial Statements") for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Keshi Ketengqi are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

We audited the Underlying Financial Statements for the Relevant Periods, which were prepared in accordance with HKFRSs. We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by HKICPA.

The Financial Information of the Keshi Ketengqi for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The directors of Keshi Ketengqi are responsible for the Underlying Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION IN RESPECT OF THE RELEVANT PERIODS

In our opinion, the Financial Information for the Relevant Periods, for the purpose of this report, gives a true and fair view of the state of affairs of Keshi Ketengqi as at 31 December 2007, 2008 and 2009 and 31 March 2010 and of the Keshi Ketengqi's results and cash flows for the Relevant Periods.

PROCEDURES PERFORMED IN RESPECT OF THE THREE MONTHS ENDED 31 MARCH 2009

For the purpose of the this report, the directors of Keshi Ketengqi have prepared the comparative financial information of Keshi Ketengqi for the three months ended 31 March 2009 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information for the three months ended 31 March 2009 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent

Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). A review consist principally of making enquiries of Keshi Ketengqi's management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information for the three months ended 31 March 2009.

OPINION IN RESPECT OF THE THREE MONTHS ENDED 31 MARCH 2009

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information for the three months ended 31 March 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 2(b) to the Financial Information concerning the adoption of the going concern basis on which the Financial Information has been prepared. As further explained in that note, the Financial Information of the Keshi Ketengqi has been prepared on a going concern basis, notwithstanding that the Keshi Ketengqi had net current liabilities of RMB1,102,635, RMB2,304,146, RMB2,685,689, and RMB2,827,094 as at 31 December 2007, 2008 and 2009 and 31 March 2010 respectively, and incurred a loss attributable to equity shareholders of Keshi Ketengqi of RMB2,981,829, RMB1,379,111, RMB559,143, and RMB182,888 for the Relevant Periods. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Keshi Ketengqi to continue as a going concern.

A. STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December			Period ended 31 March	
		2007	2008	2009	2009	2010
	Note	*RMB*	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Turnover	*7*	–	–	–	–	–
Cost of sales		–	–	–	–	–
Gross profit		–	–	–	–	–
Other revenue	*8*	19,998	15,877	338	85	138
Administrative expenses		(3,001,827)	(1,394,988)	(559,481)	(95,696)	(183,026)
Loss from operations		(2,981,829)	(1,379,111)	(559,143)	(95,611)	(182,888)
Finance costs		–	–	–	–	–
Loss before taxation	*9*	(2,981,829)	(1,379,111)	(559,143)	(95,611)	(182,888)
Income tax	*10*	–	–	–	–	–
Loss for the year/period		(2,981,829)	(1,379,111)	(559,143)	(95,611)	(182,888)
Other comprehensive income						
Other comprehensive income, net of tax		–	–	–	–	–
Total other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive loss for the year/period		(2,981,829)	(1,379,111)	(559,143)	(95,611)	(182,888)
Attributable to owners of the Keshi Ketengqi		(2,981,829)	(1,379,111)	(559,143)	(95,611)	(182,888)

B. STATEMENT OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2007	2008	2009	2010
	Note	*RMB*	*RMB*	*RMB*	*RMB*
NON-CURRENT ASSETS					
Plant and equipment	*14*	532,800	355,200	177,600	133,200
Intangible assets	*15*	5,600,000	5,600,000	5,600,000	5,600,000
		6,132,800	5,955,200	5,777,600	5,733,200
CURRENT ASSETS					
Other receivables	*16*	470,000	–	–	–
Cash and cash equivalents	*17*	3,425,384	58,275	11,685	2,917
		3,895,384	58,275	11,685	2,917
CURRENT LIABILITIES					
Other payable	*18*	(4,998,019)	(2,362,421)	(2,697,374)	(2,827,094)
		(4,998,019)	(2,362,421)	(2,697,374)	(2,827,094)
NET CURRENT LIABILITIES		(1,102,635)	(2,304,146)	(2,685,689)	(2,824,177)
NET ASSETS		5,030,165	3,651,054	3,091,911	2,909,023
CAPITAL AND RESERVES					
Paid up capital	*19*	10,000,000	10,000,000	10,000,000	10,000,000
Reserves	*20*	(4,969,835)	(6,348,946)	(6,908,089)	(7,090,977)
TOTAL EQUITY		5,030,165	3,651,054	3,091,911	2,909,023

C. STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Keshi Ketengqi		
	Paid-up capital	Accumulated losses	Total
	RMB	*RMB*	*RMB*
At 1 January 2007	10,000,000	(1,988,006)	8,011,994
Total comprehensive loss for the year	–	(2,981,829)	(2,981,829)
At 31 December 2007	10,000,000	(4,969,835)	5,030,165
At 1 January 2008	10,000,000	(4,969,835)	5,030,165
Total comprehensive loss for the year	–	(1,379,111)	(1,379,111)
At 31 December 2008	10,000,000	(6,348,946)	3,651,054
At 1 January 2009	10,000,000	(6,348,946)	3,651,054
Total comprehensive loss for the year	–	(559,143)	(559,143)
At 31 December 2009	10,000,000	(6,908,089)	3,091,911
At 1 January 2010	10,000,000	(6,908,089)	3,091,911
Total comprehensive loss for the period	–	(182,888)	(182,888)
At 31 March 2010	10,000,000	(7,090,977)	2,909,023
At 1 January 2009	10,000,000	(6,348,946)	3,651,054
Total comprehensive loss for the period	–	(95,696)	(95,696)
At 31 March 2009 (unaudited)	10,000,000	(6,444,642)	3,555,358

D. CASH FLOW STATEMENTS

	Note	Year ended 31 December 2007	2008	2009	Period ended 31 March 2009	2010
		RMB	RMB	RMB	RMB (Unaudited)	RMB
OPERATING ACTIVITIES						
Loss before taxation		(2,981,828)	(1,379,111)	(559,143)	(95,611)	(182,888)
Adjustments for:						
Depreciation		177,600	177,600	177,600	44,400	44,400
Interest income		(19,998)	(15,877)	(338)	(85)	(138)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		(2,824,226)	(1,217,387)	(381,881)	(51,296)	(138,626)
Decrease/(increase) in other receivables		52,229	470,000	–	(85)	–
Increase/(decrease) in other payables		4,498,019	(2,635,600)	334,953	–	129,720
CASH (USED IN)/ GENERATED FROM OPERATIONS		1,726,022	(3,382,987)	(46,928)	(51,381)	(8,906)
Tax paid						
Overseas income tax paid		–	–			
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES		1,726,022	(3,382,987)	(46,928)	(51,381)	(8,906)
INVESTING ACTIVITIES						
Interest received		19,998	15,877	338	85	138
NET CASH GENERATED FROM INVESTING ACTIVITIES		19,998	15,877	338	85	138
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		1,746,020	(3,367,110)	(46,590)	(51,296)	(8,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,679,364	3,425,385	58,275	58,275	11,685
CASH AND CASH EQUIVALENTS AT END OF YEAR	*17*	3,425,384	58,275	11,685	6,979	2,917

E. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

克什克騰旗大地礦業有限責任公司("Keshi Ketengqi Great Land Mine Industries Company Limited*") ("Keshi Ketengqi") was incorporated as an exempted company with limited liability in PRC on 23 August 2006. The registered office and the principal place of business of Keshi Ketengqi are located at 克什克騰旗經棚鎮解放路 (Jiefang Road, Jingpeng Zhen, Keshi Ketengqi)*.

The principal activity of Keshi Ketengqi is investment holding.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong ("Stock Exchange"). A summary of the significant accounting policies adopted by the Company is set out below.

b) Going concern basis

Keshi Ketengqi had net current liabilities of RMB1,102,635, RMB2,304,146, RMB2,685,689, and RMB2,827,094 as at 31 December 2007, 2008 and 2009 and 31 March 2010 respectively, and incurred a loss attributable to equity shareholders of Keshi Ketengqi of RMB2,981,829, RMB1,379,111, RMB559,144, and RMB182,889 for the Relevant Periods. Given Keshi Ketengqi's liabilities mainly comprise other payables, RMB4,998,019, RMB2,362,421, RMB2,697,374, and RMB2,827,094 for the year 31 December 2007, 2008 and 2009 and three months period ended 31 March 2010, its ability to continue as a going concern depends on the support from the shareholder and its immediate holding company. The immediate holding company and the shareholder have undertaken to provide continuing financial support to Keshi Ketengqi as may be necessary to enable it to operate as a going concern and meet its obligation in full as and when they full due.

Based on the above, the directors are of the opinion that Keshi Ketengqi will remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should Keshi Ketengqi be unable to continue as a going concern.

c) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

* *For identification only*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

Items included in the financial statements of each entity in the Keshi Ketengqi are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Renminbi ("RMB"). Renminbi is the Keshi Ketengqi's functional and presentation currency.

d) Plant and equipment

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(f)).

Gain or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimate useful lives as follows:

Furniture and equipment	5 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

e) Intangible assets (other than goodwill)

Mining rights with finite useful lives are carried at cost less accumulated amortization and impairment losses. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

f) Impairment of assets

i) Impairment of other receivables

Other current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For other current receivables that are carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Where the effect of discounting is material of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

g) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(f)).

h) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

j) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial report purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in period into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences related to investments in subsidiaries to the extent that, in the case of taxable differences, Keshi Ketengqi controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Keshi Ketengqi has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, Keshi Ketengqi intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Keshi Ketengqi has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

l) Revenue recognition

Provided it is probable that the economic benefits will flow to Keshi Ketengqi and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

Interest income is recognised as it occurs using the effective interest method.

m) Translation of foreign currencies

Foreign currency transactions during the years are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

n) Related parties

For the purposes of these financial statements, parties are considered to be related to Keshi Ketengqi if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control Keshi Ketengqi or exercise significant influence over Keshi Ketengqi in making financial and operating policy decisions, or has joint control over Keshi Ketengqi;

ii) Keshi Ketengqi and the party are subject to common control;

iii) the party is an associate of Keshi Ketengqi or a joint venture in which Keshi Ketengqi is a venturer;

iv) the party is a member of key management personnel of Keshi Ketengqi or Keshi Ketengqi's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of Keshi Ketengqi or of any entity that is a related party of Keshi Ketengqi.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

o) Segment reporting

A segment is a distinguishable component of Keshi Ketengqi that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with Keshi Ketengqi's internal financial reporting, Keshi Ketengqi has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Keshi Ketengqi enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Keshi Ketengqi has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKASs") amendments and Interpretations ("Int") issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2010.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Keshi Ketengqi's major financial instruments include other receivables, amount due from a director, other payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Interest rate risk

As Keshi Ketengqi has no significant interest bearing liabilities, Keshi Ketengqi's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to the statement of comprehensive income as incurred.

b) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates which will affect the Keshi Ketengqi's financial results and its cash flows.

Keshi Ketengqi mainly operates in PRC and Hong Kong. Most of the Keshi Ketengqi's transactions, assets and liabilities are denominated in RMB.

Most of Keshi Ketengqi's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they related.

Foreign exchange risk arises from net investments in foreign operations. Keshi Ketengqi manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

c) Credit risk

i) During the financial period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

ii) Keshi Ketengqi limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

d) Fair value

The fair values of cash and cash equivalents, bank deposits, other receivables, other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

All financial instruments are carried at amounts not materially different from their fair values for the accounting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In process of applying the Keshi Ketengqi's accounting policies which are described in note 2, management had makes certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

a) Key sources of estimation uncertainty

Mining right

As disclosed in note 15 to the financial statements, Keshi Ketengqi's mining right for the exploitation of copper and molybdenum will expire in November 2011. The directors considered, after having obtained a PRC legal opinion, that in accordance with the relevant PRC laws and regulations, Keshi Ketengqi is entitled to renew the mining right when it expires. The directors are of the opinion that there is no foreseeable circumstances which will preclude Keshi Ketengqi from obtaining a renewal of the mining right when it expires.

b) Critical accounting judgements in applying Keshi Ketengqi's accounting policies

Certain critical accounting judgements in applying the Keshi Ketengqi's accounting policies are described below.

Going concern basis

As mentioned in Note 2(b) to the financial statements, the directors are satisfied that Keshi Ketengqi will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that Keshi Ketengqi will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the profit for the year and net assets of Keshi Ketengqi.

6. SEGMENT REPORTING

Keshi Ketengqi conducts its business within one business segment, that is the business of mining. Accordingly, no business segment information is presented. The Group operates within one geographical segment namely in PRC. All of segment assets, liabilities and capital expenditure are located in the PRC and therefore no geographical segments are presented.

7. TURNOVER

The principal activities of company are mining and the Company had not yet commenced business during the period.

8. OTHER REVENUE

	Year ended 31 December			Period ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Interest income*	19,998	15,877	338	58	138
Others	–	–	–	–	–
	19,998	15,877	338	58	138

* *It represented total interest income on financial assets not at fair value through profit or loss*

9. LOSS BEFORE TAXATION

Profit before taxation is arrived at after charging:

b) Other items

	Year ended 31 December			Period ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Auditors' remuneration	–	–	–	–	–
Depreciation					
– Owned fixed assets	177,600	177,600	177,600	44,400	44,400
Staff costs	320,346	203,389	88,732	–	36,000

10. INCOME TAX IN THE STATEMENT OF COMPREHENSIVE INCOME

a) No Hong Kong profits tax has been provided for in the financial statements as the Keshi Ketengqi has no assessable profits in Hong Kong for financial years 2007, 2008 and 2009 and period ended 31 March 2010.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2007: 33%; 2008: 25%).

Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, 10% withholding tax (applicable to PRC subsidiaries which pay dividend, interest, rent, royalty to non-resident companies) will be levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui 2008 No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax law and regulations are exempted from the withholding tax.

b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	Year ended 31 December			Period ended 31 March	
	2007	2008	2009	2009	2010
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Loss before taxation	(2,981,828)	(1,379,111)	(559,144)	(51,296)	(182,888)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(984,003)	(344,778)	(139,786)	(12,824)	(45,722)
Tax effect of unrecognised tax losses	984,003	344,778	139,786	12,824	45,722
Tax expense	–	–	–	–	–

No deferred tax asset has been recognised in relation to the tax losses as it is not probable that future taxable profit will be available against which the tax losses can be utilised.

11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance during the Period is RMBNil.

No emoluments or discretionary bonus were paid by the Keshi Ketengqi to the directors as an inducement to join or upon joining the Keshi Ketengqi or as compensation for loss of office during the Relevant Periods. No director or the Keshi Ketengqi waived or agreed to waive any emoluments or discretionary bonus during the Period.

12. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in Keshi Ketengqi, none of the directors of Keshi Ketengqi whose emoluments are included during the years ended 31 December 2007, 2008 and 2009 and the period ended 31 March 2010. The emoluments of the remaining five individuals were as follows:

	Year ended 31 December			Period ended 31 March	
	2007	2008	2009	2009	2010
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Salaries, allowance and benefits in kind	320,346	203,389	88,732	–	36,000

13. LOSS ATTRIBUTABLE TO EQUITY OWNERS OF THE KESHI KETENGQI

The loss attributable to equity owners of the Keshi Ketengqi includes a loss of approximately RMB2,981,829, RMB1,379,111, RMB559,143 and RMB182,888 for the years ended 31 December 2007, 2008 and 2009 and period ended 31 March 2010 respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment
	RMB
Cost	
At 1 January 2007	888,000
Additions	–
At 31 December 2007 and 1 January 2008	888,000
Additions	–
Exchange realignment	–
At 31 December 2008 and 1 January 2009	888,000
Exchange realignment	–
At 31 December 2009	888,000
At 31 December 2009 and 1 January 2010	888,000
Addition	–
At 31 March 2010	888,000
Accumulated depreciation	
At 1 January 2007	(177,600)
Charge for the year	(177,600)
At 31 December 2007 and 1 January 2008	(355,200)
Exchange realignment	–
Charge for the year	(177,600)
At 31 December 2008 and 1 January 2009	(532,800)
Exchange realignment	–
Charge for the year	(177,600)
At 31 December 2009	(710,400)
At 31 December 2009 and 1 January 2010	(710,400)
Charge for the year	(44,400)
At 31 March 2010	(754,800)
Carrying amount	
At 31 December 2007	532,800
At 31 December 2008	355,200
At 31 December 2009	177,600
At 31 March 2010	133,200

15. INTANGIBLE ASSETS

	RMB
Cost	
At 1 January 2007	5,600,000
Addition	–
At 31 December 2007, 2008, 2009 and 31 March 2010	5,600,000
Carrying amount	
At 31 December 2007	5,600,000
At 31 December 2008	5,600,000
At 31 December 2009	5,600,000
At 31 March 2010	5,600,000

Note:

a) Intangible assets represent the mining rights granted by Chifeng City Municipal Bureau of Land and Resources* (赤峰市國土資源局) for the exploitation of copper and molybdenum in certain are in Inner Mongolia in the PRC.

b) The mining rights are stated at cost less accumulated amortization and any impairment losses.

No amortization was made during the periods as the mine is in a development stage and no mining activities are conduct in the mine.

c) The mining right at 31 December 2007, 2008 and 2009 and 31 March 2010 represent:

Ming right area	**Location**	**Expiry date**
永勝礦區 (Yongsheng Mining Area*)	內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮 (Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC*)	26 November 2011

d) As at 31 March 2010, the mining right for the exploitation of copper and molybdenum will expire in November 2011. The directors considered after having obtained the PRC legal opinion that, in accordance with the relevant PRC laws and regulations, Keshi Ketengqi is entitled to renew the mining right when it expires. The directors are of the opinion that there is no circumstance which will preclude Keshi Ketengqi from obtaining a renewal of the mining right when it expires. Regarding the duration of the mining right, the PRC legal opinion indicated that there is no relevant stipulation under the PRC laws governing the interpretation of the duration.

* *For identification only*

16. OTHER RECEIVABLES

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB	*RMB*	*RMB*	*RMB*
Due from immediate holding company	470,000	–	–	–
	–	–	–	–
	–	–	–	–
Loans and receivables	470,000	–	–	–

All of other receivables, apart from rental and other deposits, are expected to be recovered or recognised as expenses within one year.

17. CASH AND CASH EQUIVALENTS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB	*RMB*	*RMB*	*RMB*
Cash at bank and in hand	3,425,384	58,275	11,685	2,917
Cash and cash equivalents in the statement of financial position and the statement of cash flows	3,425,384	58,275	11,685	2,917

18. OTHER PAYABLES

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB	*RMB*	*RMB*	*RMB*
Other payables				
Due to immediate holding company	3,000,000	1,414,000	1,614,000	1,694,000
Due to shareholder	1,998,019	948,421	1,083,374	1,133,094
Financial liabilities measured at amortised cost	4,998,019	2,362,421	2,697,374	2,827,094

All of the other payables are expected to be settled within one year.

The amounts were unsecured, interest-free and repayable on demand.

19. PAID UP CAPITAL

	RMB
Registered, issued and fully paid:	
At 31 December 2007, 2008 and 2009	10,000,000

The Company was incorporated in PRC on 12 July 2006 with a paid up capital of RMB10,000,000, and Keshi Ketengqi was allotted and issued on the same date.

20. RESERVES

a) Accumulated losses

	Accumulated losses *RMB*
At 1 January 2007	(1,988,006)
Loss for the year	(2,981,829)
At 31 December 2007	(4,969,835)
At 1 January 2008	(4,969,835)
Profit for the year	(1,379,111)
At 31 December 2008	(6,348,946)
At 1 January 2009	(6,348,946)
Exchange realignment	–
Loss for the year	(559,143)
At 31 December 2009	(6,908,089)
At 1 January 2009	(6,908,089)
Loss for the year	(182,888)
At 31 March 2010	(7,090,977)

b) Capital management

Keshi Ketengqi's objectives when managing capital are to ensure that entities in Keshi Ketengqi will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, Keshi Ketengqi will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

21. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions with related parties during the period under review and at year end.

(a) Key management personnel remuneration

All members of key management personnel are the directors of Keshi Ketengqi and the remuneration for them is disclosed in Note 11.

(b) The outstanding balance of related parties at 31 March 2010 is disclosed in Notes 16 and 18.

22. IMMEDIATE AND ULTIMATE CONTROLLING PARENT COMPANIES

At 31 March 2010, the directors consider the following companies to be the immediate parent company and the ultimate controlling parent company.

Beijing Hai Chong Tianyuan Trading Co., Ltd., a company incorporated in PRC as a wholly owned foreign enterprise, is immediate parent company.

China Properties Investment Holdings Limited, a company incorporated in Hong Kong with limited liability and listed on The Stock Exchanges of Hong Kong Limited, is the ultimate controlling parent company and produces financial statements available for public use.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period beginning 1 January 2010 and which have not been adopted in these financial statements.

Keshi Ketengqi has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 February 2010.
[2] Effective for annual periods beginning on or after 1 January 2011.
[3] Effective for annual periods beginning on or after 1 July 2010.
[4] Effective for annual periods beginning on or after 1 January 2013.

The directors of the Keshi Ketengqi anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Keshi Ketengqi in respect of any period subsequent to 31 December 2009.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CCIF

CCIF CPA LIMITED

34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

The Board of Directors
China Properties Investment Holdings Limited
Room 2001, 20/F
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89 Queensway Road
Hong Kong

17 September 2010

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of China Properties Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out in Appendix III to the circular dated 17 September 2010 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in Universe Prosper Limited (the "Acquisition") as at the completion date by the Group (the "Enlarged Group"). The unaudited pro forma financial information on the Group together with financial information of the Acquisition has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard in Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2010 or any future dates; or
- the results and cash flows of the Enlarged Group for the year ended 31 March 2010 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung Sik Hung
Practising Certificate Number PO5206

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following is an illustrative unaudited pro forma consolidated statement of financial position of China Properties Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), prepared to illustrate the effect of the proposed acquisition of the entire shareholding interest in Universe Prosper Limited ("UPL") and its subsidiaries (the "UPL Group") (the "Acquisition"), on the financial position of the Group as at the completion date with adjustments to reflect the effect of the Acquisition (the "Enlarged Group").

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 31 March 2010.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on the audited consolidated statement of financial position as at 31 March 2010 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated statement of financial position is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2010. The unaudited pro forma consolidated statement of financial position of the Enlarged Group does not purport to predict the future position of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position is prepared by the directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at any given date.

	The Group as at 31 March 2010	UPL Group as at 31 March 2010	Pro forma adjustments relating to Acquisition			Unaudited pro forma statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
NON-CURRENT ASSETS						
Investment in subsidiaries	–	–	273,000	(273,000)	–	–
Property, plant and equipment	3,711	68	–	–	–	3,779
Available for sale investments		27,000	–	(27,000)	–	–
Investment properties	186,117	–	–	–	–	186,117
Intangible assets	499,398	–	–	–	–	499,398
	689,226	27,068	273,000	(300,000)	–	689,294
CURRENT ASSETS						
Trade and other receivables	3,434	5,341	–	–	–	8,775
Trading securities	112	–	–	–	–	112
Cash and cash equivalents *(Note 6)*	73,784	523	(90,000)	–	–	(15,693)
	77,330	5,864	(90,000)	–	–	(6,806)

	The Group as at 31 March 2010	UPL Group as at 31 March 2010	Pro forma adjustments relating to Acquisition			Unaudited pro forma statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
CURRENT LIABILITIES						
Other payables and accruals	(15,322)	(33,349)	27,000	–	(2,998)	(24,669)
Interest-bearing borrowings	(3,000)	–	–	–	–	(3,000)
	(18,322)	(33,349)	27,000	–	(2,998)	(27,669)
NET CURRENT ASSETS/(LIABILITIES)	59,008	(27,485)	(63,000)	–	(2,998)	(34,475)
TOTAL ASSETS LESS CURRENT LIABILITIES	748,234	(417)	210,000	(300,000)	(2,998)	654,819
NON-CURRENT LIABILITIES						
Interest-bearing borrowings	(55,500)	–	–	–	–	(55,500)
Deferred tax liabilities	(8,087)	–	–	–	–	(8,087)
Convertible bonds	(66,428)	–	(210,000)	–	–	(276,428)
	(130,015)	–	(210,000)	–	–	(340,015)
NET ASSETS/(LIABILITIES)	618,219	(417)	–	(300,000)	(2,998)	314,804
CAPITAL AND RESERVES						
Share capital	40,406	–	–	–	–	40,406
Reserves	332,340	(417)	–	(101,317)	(2,998)	227,608
TOTAL EQUITY ATTRIBUTABLE TO EQUITY OWNERS	372,746	(417)	–	(101,317)	(2,998)	268,014
NON-CONTROLLING INTEREST	245,473	–	–	(198,683)	–	46,790
	618,219	(417)	–	(300,000)	(2,998)	314,804

Notes:

1. Column A is extracted from the audited combined statement of financial position of the Group as at 31 March 2010 as set out in the annual report 2010 dated 27 July 2010.

2. Column B is extracted from the Accountants' Report on the UPL Group as set out in Appendix II-A to this circular.

3. To record the consideration of HK$300 million payable to the vendor upon the acquisition. According to the supplemental agreement dated 8 September 2010, Mr. Yang unconditionally assigned a loan of RMB27 million to the Group. Eventually, the investment cost of the subsidiary is RMB273 million. In accordance with the terms of the sale and purchase agreement, the consideration of the acquisition shall be settled by an initial deposit of HK$48.5 million and further deposit of HK$41.5 million which were paid by the Company to the vendor on 8 April 2010 and 20 May 2010 and the balance by way of issue of convertible bonds. The Group will designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition. The fair value of the convertible bonds is assumed to approximate their carrying value.

4. The adjustment reflects the elimination of the investment cost and the non-controlling interest. The difference between the amount by which the non-controlling interests are adjusted and the investment cost shall be recognised directly in equity in accordance with HKAS 27 (Revised).

5. The estimated transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately RMB2,998,000 are directly attributable to the Acquisition.

6. On 27 May 2010, 14 June 2010, 5 August 2010 and 13 September 2010, the proceeds received from share subscription are approximately RMB24.2 million, RMB17.16 million, RMB17.8 million and RMB16.9 million respectively and have not been included in the Pro Forma Financial Information.

7. No adjustments have been made to reflect any trading results or other transactions of the Group, the UPL Group entered into subsequent to 31 March 2010 respectively.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 1 April 2009.

The unaudited pro forma consolidated statement of income of the Enlarged Group is based on the audited consolidated statement of income for the year ended 31 March 2010 of the Group after making pro forma adjustments for the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated income statement is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated income statement and statement of cash flows of the Enlarged Group do not purport to describe the results and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed at 1 April 2009. The unaudited pro forma consolidated income statement of the Enlarged Group does not purport to predict the future results and cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group is prepared by the directors for illustrative purposes only and, because of their nature, they may not give a true picture of the results of the Enlarged Group for the year ended 31 March 2010, for any further financial periods.

	The Group for the year ended 31 March 2010	UPL Group for the period ended 31 March 2010	Pro forma adjustments relating to Acquisition			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
TURNOVER	7,750	–	–	–	–	7,750
Direct outgoings	(4,370)	–	–	–	–	(4,370)
Gross profit	3,380	–	–	–	–	3,380
Valuation gains on investment properties	32,347	–	–	–	–	32,347
Other revenue	2,233	2	–	–	–	2,235
Selling expenses	(54)	–	–	–	–	(54)
Administrative expenses	(23,240)	(175)	–	–	–	(23,415)
Other operating expenses	(16,005)	–	–	–	(2,998)	(19,003)
(Loss)/profit from operations	(1,339)	(173)	–	–	(2,998)	(4,510)
Finance costs	(9,274)	(4)	–	(6,300)	–	(15,578)
Excess payment of acquisition	–	(160)	–	–	–	(160)
(Loss)/profit before taxation	(10,613)	(337)	–	(6,300)	(2,998)	(20,248)
Income tax	(8,688)	–	–	–	–	(8,688)
(Loss)/profit for the year	(19,301)	(337)	–	(6,300)	(2,998)	(28,936)
Other comprehensive income for the year						
Exchange differences on translation of financial statements of the overseas subsidiaries	1,145	–	–	–	–	1,145
Total other comprehensive income for the year, net of tax	1,145	–	–	–	–	1,145
Total comprehensive loss for the year/period	(18,156)	(337)	–	(6,300)	(2,998)	(27,791)
(Loss)/profit attributable to:						
Equity owners of the Company	(18,034)	(337)	(90)	(6,300)	(2,998)	(27,759)
Non-controlling interest	(122)	–	90	–	–	(32)
Total comprehensive loss for the year/period	(18,156)	(337)	–	(6,300)	(2,998)	(27,791)

Notes:

1. Column A is extracted from the audited consolidated statement of comprehensive income for the year ended 31 March 2010 of the Group as set out in the annual report 2010 dated 27 July 2010.

2. Column B is extracted from the Accountants' Report on the UPL Group as set out in Appendix II-A to this circular.

3. The adjustment reflects the of non-controlling interest decreased from 49% to 9% after the Acquisition.

4. The adjustment represents the 3% interest paid for the HK$210 million Convertible bonds.

5. The adjustment reflects the estimated transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately RMB2,998,000 which are directly attributable to the Acquisition.

6. No adjustments have been made to reflect any trading results or other transactions of the Group, the UPL Group entered into subsequent to 31 March 2010.

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group assuming that the Acquisition had been completed as of 1 April 2009. The unaudited consolidated statement of cash flows was prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2010, after adjusting for the exclusion of the cash flows arising from the activities of the Acquisition, and the inclusion of the cash flows relating to the Acquisition.

The unaudited pro forma combined statements of cash flows of the Enlarged Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 1 April 2009.

The unaudited pro forma consolidated statement of cash flows of the Enlarged Group is based on the audited consolidated statement of cash flows for the year ended 31 March 2010 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated statement of cash flows is prepared by the directors for illustrative purposes only and because of its nature, it may not give a true picture of the cash flows of the Group for the year ended 31 March 2010, had the Acquisition taken place on 1 April 2009, or for any future financial periods.

	The Group for the year ended 31 March 2010	UPL Group for the year ended 31 March 2010	Pro forma adjustments relating to Acquisition			Unaudited pro forma statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
OPERATING ACTIVITIES						
(Loss)/profit before taxation	(10,613)	(337)	–	(2,998)	(6,300)	(20,248)
Adjustments for:						
Depreciation	810	4	–	–	–	814
Valuation gains on investment properties	(32,347)	–	–	–	–	(32,347)
Loss arising on change in fair value of convertible bonds	6,132	–	–	–	–	6,132
(Gain)/loss arising on change in fair value of trading securities	(28)	–	–	–	–	(28)
Loss on disposal of investment properties	7,908	–	–	–	–	7,908
Impairment of trade receivable	1,962	–	–	–	–	1,962
Reversal of impairment of trade receivables	(1,472)	–	–	–	–	(1,472)
Gain on disposal of property, plant and Equipment	(8)	160	–	–	–	152
Excess payment of acquisition						
Foreign exchange loss, net	657	–	–	–	–	657
Finance costs	9,274				6,300	15,574
Interest income	(18)	(2)	–	–	–	(20)
Operating loss before changes in working capital	(17,743)	(175)	–	(2,998)	–	(20,916)

	The Group for the year ended 31 March 2010	UPL Group for the year ended 31 March 2010	Pro forma adjustment relating to Acquisition			Unaudited pro forma statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
Decrease/(increase) in trade and other receivables	13,991	1,142	–	–	–	15,133
(Decrease)/increase in other payables and accruals	(8,880)	43	–	–	–	(8,837)
Cash generated from/ (used in) operations	(12,632)	1,010	–	(2,998)	–	(14,620)
Tax refund	(601)	–	–	–	–	(601)
NET CASH USED IN OPERATING ACTIVITIES	(13,233)	1,010	–	(2,998)	–	(15,221)
INVESTING ACTIVITIES						
Proceeds on disposal of property, plant and equipment	25	–	–	–	–	25
Proceeds on disposal of investment property	40,000	–	–	–	–	40,000
Net cash outflow from acquisition of subsidiaries	(35,426)	(500)	(90,000)	–	–	(125,926)
Purchase of property, plant and equipment	(3,317)	(9)	–	–	–	(3,326)
Interest received	18	2	–	–	–	20
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES	1,300	(507)	(90,000)	–	–	(89,207)

	The Group for the year ended 31 March 2010	UPL Group for the year ended 31 March 2010	Pro forma adjustment relating to Acquisition			Unaudited pro forma statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
FINANCING ACTIVITIES						
Proceeds from issue of shares	81,068	–	–	–	–	81,068
Inception of bank loan						
Repayment of bank loans	(32,000)	–	–	–	–	(32,000)
Early redemption of convertible bonds	(31,860)	–	–	–	–	(31,860)
Proceeds from issue of zero rate convertible bonds	74,448	–	–	–	–	74,448
Repayment of other payables						
Interest paid	(9,274)	–	–	–	(6,300)	(15,574))
Share issue expense	(2,328)	–	–	–	–	(2,328)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	80,054	–	–	–	(6,300)	73,754

	The Group for the year ended 31 March 2010	UPL Group for the year ended 31 March 2010	Pro forma adjustment relating to Acquisition			Unaudited pro forma statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	B				
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	68,121	503	(90,000)	(2,998)	(6,300)	(30,674)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	32	–	–	–	–	32
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,631	20	–	–	–	5,651
CASH AND CASH EQUIVALENTS AT END OF YEAR	73,784	523	(90,000)	(2,998)	(6,300)	(24,991)

Notes:

1. Column A is extracted from the audited consolidated statement of cash flows for the year ended 31 March 2010 of the Group as set out in the annual report 2010 dated 27 July 2010.

2. Column B is extracted from the Accountants' Report on the UPL as set out in Appendix II-A to this circular.

3. In accordance with the terms of the sale and purchase agreement, the consideration of the acquisition will be settled by cash amounting to HK$90 million on 8/4/2010, 20/8/2010 and by the issue of convertible bonds amounting to HK$210 million. The adjustment represents the initial deposit of HK$48.5 million and the further deposits of HK$41.5 million which were paid by the Company to the vendor on 8 April 2010 and 20 August 2010 respectively.

4. The adjustment represents the payments for transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately RMB2,998,000 which are directly attributable to the Acquisition.

5. The adjustment represents the 3% interest paid for of the HK$210 million Convertible Bonds.

6. No adjustments have been made to reflect any trading results or other transactions of the Group, the UPL Group that were entered into subsequent to 31 March 2010 respectively.

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the three years ended 31 March 2010 ("**Management Discussion and Analysis**"). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis. Furthermore, all pages/sections/appendices mentioned in the below text are referred to in those of the Management and Discussion and Analysis.

For the year ended 31 March 2010

Operating results

For the year under review, the group's turnover was approximately RMB7.8 million (2009: approximately RMB17.3 million), representing an decrease of approximately 54.9% compared with last year. The decrease in turnover was mainly due to the disposal of one of the investment properties in Shanghai and termination of certain property management service during the year.

The audited net loss for the year was approximately RMB19.3 million (2009: approximately RMB190.9 million) and the loss per share was RMB3.06 cents (2009: loss per share RMB54.13 cents). Decrease in loss for the year was mainly due to the positive change in fair value of the investment properties of the group, which recorded a valuation gain of approximately RMB32.3 million (2009: valuation loss of approximately RMB222 million). However, there was no cash flow impact on the group for such valuation gain. The company also incurred a loss of approximately RMB7.9 million which was arising on disposal of an investment property of the group and a loss of approximately RMB6.1 million for the change in fair value of convertible bonds.

The administrative expenses of the group for the year amounted to approximately RMB23.2 million, representing an increase of approximately 74.4% compared with last year, of which such increase was mainly attributable to the professional fees in relation to the acquisition of the Mine and other possible acquisitions. The finance cost of the group amounted to approximately RMB9.3 million which was incurred for the bank loans under the security of investment properties in Shanghai and the interest on convertible bonds.

Business review

During the year under review, the group continued to engage in the properties investment business in the PRC. As at 31 March 2010, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters, all of which were leased to third parties under operating leases with lease terms ranging from one year to nine years. The group disposed one of its investment properties in Shanghai for a cash consideration of RMB40 million during the year. Such disposal enables the company to strengthen its cash position and at the same time to reduce its debts and interest burden in the future. Details of the disposal were set out in the circular of the company dated 14 July 2009.

On 4 June 2009, the company (as the purchaser) entered into a sale and purchase agreement between Gold Trinity International Limited (as the vendor) to purchase the entire issued share capital of the Main Pacific Group Limited at the consideration of HK$300 million for acquiring 51% indirect interest in a mining company in Inner Mongolia of the PRC. The mining company holds a mining license under which the mining company has the right to conduct mining and exploitation works for copper and molybdenum in the mine located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC. The Acquisition represents a good opportunity for the group to penetrate into mining business. It also enables the group to diversify its existing business portfolio and to broaden the group's income source. The Acquisition was completed on 24 July 2009. Details of which are set out in the circular of the company dated 30 June 2009. The Mine is in the beginning stage of development. It is expected that the Mine will be able to commence commercial production in the year of 2012 after the completion of development stage.

On 14 August 2009, the company (as the purchaser) entered into the memorandum of understanding for the proposed acquisition of the entire interest in World Petroleum Inc., a company which will in turn be indirectly interested in 90% of Morichal Sinoco S.A. ("MSSA"). MSSA is a company incorporated under the laws of Venezuela and has the rights to explore and produce hydrocarbons in the block VMM-17 (located at around 100 kilometers to the northwest of Bogota, Colombia), and to the benefits of the production of the hydrocarbons ("WPI Acquisition"). As World Petroleum Inc. is currently undergoing internal restructuring, the WPI Acquisition has been put on hold pending completion of the said restructuring. Furthermore, the memorandum of understanding made between the company and the vendors of World Petroleum Inc. for the WPI Acquisition has expired on 14 May 2010. Details of which are set out in the announcements of the company dated 18 August 2009 and 16 November 2009 respectively.

On 24 March 2010, the company (as a purchaser) entered into the memorandum of understanding with Star Lucky Group Limited (as a vendor) for the possible acquisition of the remaining 40% interest in the Mine being held by the vendor. Details of which are set out in the announcements of the company dated 24 March 2010, 26 March 2010, 8 April 2010 and 22 June 2010 respectively. The company is in the final stage of negotiation with the vendor regarding the possible acquisition. Further announcement will be made by the company should any formal agreement be entered into.

On 21 June 2010, the company (as the purchaser) entered into the memorandum of understanding with the independent third parties for the possible acquisition of the entire interest in a target company which upon completion of the restructuring, shall be the ultimate owner of 100% effective interest in the oil & gas rights in parcels of lands in Nevada under three oil & gas leases. The company will be entitled to perform due diligence review in relation to the sale and purchase of the target company, including the company structure, the said oil & gas leases, and the assets, liabilities, contracts, commitments, undertaking, prospects and business and financial and legal and taxation aspects of the target company and its subsidiaries and affiliates, a valuation report and a competent person's report on the said oil & gas leases. Details of which are set out in the announcement of the company dated 21 June 2010. Further announcement will be made by the company should any formal agreement be entered into.

Liquidity and financial resources

As at 31 March 2010, the group's net current assets were approximately RMB59.0 million (2009: net current liabilities of approximately RMB6.6 million), including cash and bank balances of approximately RMB73.8 million (2009: approximately RMB5.6 million).

The group had borrowings of approximately RMB58.5 million as at 31 March 2010 (2009: approximately RMB90.5 million). All of the borrowings were bank loans under security, of which 5.1% were due within one year from balance sheet date, 6.0% were due more than one year but not exceeding two years, 23.1% were due more than two years but not exceeding five years and 65.8% were due more than five years. The gearing ratio, defined as the percentage of at net debt to total equity of the company, was approximately 8% (2009: approximately 42%).

Investment position

The group does not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2010.

Foreign exchange exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the group did not use any financial instruments for hedging purposes.

Capital structure

The company issued redeemable convertible bonds ("Convertible Bonds") with a principal amount of HK$260 million (equivalent to approximately RMB231.1 million) during the year under review. As at 31 March 2010, the principal amount of the outstanding Convertible Bonds was HK$78 million (equivalent to approximately RMB69 million). Details of which are set out in note 26(i) to the Financial Statements.

On 15 August 2009, the company entered into the placing agreement (the "Placing Agreement") with Cheong Lee Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, the independent placees to subscribe in cash for the 2-year zero coupon convertible redeemable bonds in the maximum principal amount of HK$600 million (equivalent to approximately RMB533.4 million) (the "Zero Coupon Convertible Bonds"). The Placing Agreement was approved by the shareholders of the company by way of poll at the special general meeting on 21 September 2009. During the year ended 31 March 2010, the placing of eight tranches of the Zero Coupon Convertible Bonds has been completed in an aggregate principal amount of HK$84,960,000 (equivalent to approximately RMB75.2 million). Based on the conversion price of HK$0.118 per conversion share, a maximum number of 720,000,000 shares of the company has been allotted and issued upon exercise of the conversion rights attached to the eight tranches of Zero Coupon Convertible Bonds in full. Details of which are set out in note 26(ii) to the Financial Statements.

Charges on group's assets

As at 31 March 2010, the group's investment properties with a value of RMB144.6 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the group.

Contingent liabilities

As at 31 March 2010, the group does not have any material contingent liability (2009: Nil).

Acquisition and disposal of subsidiaries

On 4 June 2009, the company (as the purchaser) entered into a sale and purchase agreement between Gold Trinity International Limited (as the vendor) to purchase the entire issued share capital of the Main Pacific Group Limited at the consideration of HK$300 million (equivalent to approximately RMB266.7 million) (the "Acquisition") and the Acquisition was completed on 24 July 2009. Further details of which are set out in the circular of the company dated 30 June 2009.

Employees

As at 31 March 2010, the group had 44 employees (2009: 28). The remuneration was approximately RMB5.68 million and was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

For the year ended 31 March 2009

Operating results

For the year under review, the group's turnover was approximately HK$19.6 million (2008: approximately HK$18.7 million), representing an increase of approximately 4.8% compared with last year.

The audited net loss for the year was approximately HK$216.9 million (2008: approximately HK$28.8 million) and the loss per share for was HK12.3 cents. The loss for the year was mainly due to the unrealized loss on change of fair value of the investment properties of the group. As at 31 March 2009, the investment properties of the group were revalued at approximately HK$229.2 million (2008: approximately HK$470.7 million) by an independent professional valuer, Castores Magi (Hong Kong) Limited. The group recorded a loss on fair value change of investment properties approximately HK$252.3 million in its income statement for the year. However, there was no cash flow impact on the group for such loss. Meanwhile, the corresponding accumulated deferred tax provision for the investment properties of the group was reduced by approximately HK$61.9 million for the year which helped to relieve the overall losses of the group.

The administrative expenses and other operating expenses of the group for the year amounted to approximately HK$35.4 million (2008: approximately 21.0 million), including written off of deposit on purchase of investment properties amounted to approximately HK$16.9 million (2008: Nil). The finance cost of the group amounted to approximately HK$8.8 million (2008: approximately 6.0 million) which was incurred for the bank loans under the security of two investment properties in Shanghai.

Business review

The group continued to focus on the property investment business for the year. As at 31 March 2009, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters and the average occupancy rates were 100% for during the year. The investment properties are leased to third parties under operating leases with lease terms ranging from two years to ten years. The rental income generated from the investment properties amounted to approximately HK$16.3 million for the year.

Liquidity and financial resources

As at 31 March 2009, the group's net current liabilities were approximately HK$7.5 million (2008: net current assets of approximately HK$35.4 million), including cash and bank balance of approximately HK$6.4 million (2008: approximately HK$25.0 million).

The group had borrowings of approximately HK$102.8 million as at 31 March 2009 (2008: approximately HK$109.4 million). All of the borrowings were bank loans under security, of which 13.3% were due within one year from balance sheet date, 6.6% were due more than one year but not exceeding two years, 30.4% were due more than two years but not exceeding five years and 49.7% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to shareholders' funds, was approximately 77% (2008: 32%).

Investment position

The group does not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2009.

Foreign exchange exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the group did not use any financial instruments for hedging purposes.

Capital structure

There was no changes in capital structure of the company for the year ended 31 March 2009.

Charges on group's assets

Aa at 31 March 2009, the group's investment properties with a value of HK$123,811,000 were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the group.

Contingent liabilities

As at 31 March 2009, the group does not have any material contingent liability (2008: Nil).

Acquisition and disposal of subsidiaries

There were no material acquisitions and disposals of subsidiaries and affiliated companies of the group during the year ended 31 March 2009.

Employees

As at 31 March 2009, the group had 28 employees (2008: 42). The remuneration was approximately RMB5.99 million and was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

For the year ended 31 March 2008

Operating results

Continuing operation – Properties investment business

For the year under review, the group's turnover was approximately HK$18.7 million (2007: approximately HK$5.7 million), representing an increase of approximately 231% compared with last year. The increase in turnover was mainly due to the increase in rental income through acquisition of investment properties in Shanghai during the second half of 2007 and 2008 respectively.

The audited loss for the year was approximately HK$28.8 million and the loss per share was HK2.26 cents (2007: earnings per share HK1.55 cents). The loss for the year was mainly due to the sharebased payment by granting of share options to certain executive directors and key employees under the share option scheme of the company during the year. The fair value of the share options granted as at the date of grant was approximately HK$61.1 million which was recognized as expenses for the year under the requirements of HKFRS 2. However, there was no cash outlay from the company for granting these share options. The finance cost of the group for the year amounted to approximately HK$6 million which was incurred for the bank loans under the security of two investment properties in Shanghai.

Meanwhile, the group has elected the fair value model for investment properties under the HKAS 40 for the year. As at 31 March 2008, the investment properties of the group were revalued at approximately HK$470.7 million by Castores Magi (Hong Kong) Limited, an independent professional valuer. The group recorded a gain on fair value change of investment properties, amounted to approximately HK$34.4 million in its income statement for the year.

In addition, the income tax rate in the mainland China has been changed from 33% to 25% with effect from 1 January 2008. As a result, the deferred tax liabilities arising from revaluation of properties of the group was reduced by approximately HK$15.6 million for the year which helped to relieve the overall losses of the group.

Discontinued operation

As the group ceased its electronic consumer products and snap off blade cutters businesses since last financial year, it has no effect on the operating results of the group for the year under review.

Business review

The group entered into three sale and purchase agreements with three independent third parties on 10 July 2007 for the acquisition of three commercial properties in Shanghai. The total consideration payable by the company for the acquisitions was approximately HK$160 million in aggregate. Details of such acquisitions were set out in the circular of the company dated 14 August 2007. Among the three properties, the acquisition of the property comprising two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC was terminated due to one of the conditions as specified in the relevant sales and purchase agreement cannot be fulfilled. Such termination will not have any material adverse effects on the business or financial position of the group and the group will continue to explore other suitable investment opportunities. Details of the termination were disclosed in the announcement of the company dated 2 July 2008. Whereas the acquisition of the other two properties were completed during the year under review.

As at 31 March 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, representing an increase of approximately 91% compared with last year. The investment properties of the group were located in fast developing area or city centre of Shanghai and the average occupancy rates were 100% for the year. The investment properties are leased to third parties under operating leases with lease terms ranging from two years to twelve years. The rental income generated from the investment properties amounted to approximately HK$2.1 million per month. The increase in investment properties will not only expand the property portfolio of the group, but will also provides a stable source of rental income to the group in the future.

Liquidity and financial resources

As at 31 March 2008, the group's net current assets were approximately HK$35.4 million (2007: approximately HK$2 million), including cash and bank balance of approximately HK$25 million (2007: approximately HK$5.8 million).

The group had borrowings of approximately HK$109.4 million as at 31 March 2008 (2007: approximately HK$162.5 million, being the amount due to an independent third party). All of the borrowings were bank loans under security, of which 4.6% were due within one year from balance sheet date, 5.1% were due more than one year but not exceeding two years, 23% were due more than two years but not exceeding five years and 67.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 32% (2007: nil).

Investment position and planning

Save as the investment properties disclosed in the Business Review above, the group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2008.

Foreign exchange exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation.

Capital structure

Save as disclosed in the note 31 to the financial statement, there was no other changes in capital structure of the company for the year ended 31 March 2008.

Charges on group's assets

As at 31 March 2008, the group's investment properties with a value of approximately HK$305.1 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, the wholly-owned subsidiary of the group.

Contingent liabilities

As at 31 March 2008, the group did not have any material contingent liability (2007: Nil).

Acquisition and disposal of subsidiaries

There was no material acquisitions and disposals of subsidiaries and affiliated companies of the group during the year ended 31 March 2008.

Employees

As at 31 March 2008, the group had 42 employees (2007: 31). The remuneration was approximately RMB60.64 million and was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the period from 2 June 2009 to 31 March 2010:

Business and financial review

The Target Company was incorporated in the British Virgin Islands on 12 March 2010 with limited liability and is an investment holding company. Sinowood was incorporated in Hong Kong on 2 June 2009 with limited liability and is an investment holding company. The Shenzhen Company, the Shanghai Company, the Beijing Company and the Mining Company were established in the PRC on 15 January 2010, 31 August 2006, 24 April 2007 and 23 August 2006 respectively. The Mining Company is engaged in the exploitation of copper and molybdenum and holds the Mining License.

The Target Group did not record any turnover, cost of sales and gross profit for the period from 2 June 2009 to 31 March 2010. The Target Group recorded losses before and after tax of approximately RMB336,807 and RMB336,807 for the period from 2 June 2009 to 31 March 2010 respectively.

Liquidity and financial resources

As at 31 March 2010, the Target Group had trade and other payables was approximately RMB33,348,907.

The Target Group had cash and bank balances of approximately RMB523,167 as at 31 March 2010. The Target Group's cash and bank balances were primarily denominated in RMB.

The gearing ratio, expressed as a percentage of net debts over total equity, as at 31 March 2010 was N/A. As at 31 March 2010, the Target Group's net liabilities were approximately RMB416,087.

Capital commitment

As at 31 March 2010, the Target Group had no capital commitments.

Treasury policies

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the period from 2 June 2009 to 31 March 2010.

Exchange rate exposure

The Target Group suffered from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of copper and molybdenum. The international copper and molybdenum markets are predominately priced in US dollars which exposes the Target Group to the risk that fluctuations in RMB/US dollar exchange rates may also have an adverse effect on current or future earnings.

Charge of assets

As at 31 March 2010, there was no pledge of assets of the Target Group.

Employees and remuneration policy

The employee costs of the Target Group, including directors' emoluments, were nil for the period from 2 June 2009 to 31 March 2010.

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned. The number of full-time permanent employees of the Target Group was nil as at 31 March 2010.

Acquisition and disposal of subsidiaries

The Target Group did not have any significant investments, material acquisition and disposals for the period from 2 June 2009 to 31 March 2010.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 31 March 2010.

Set out below is the management discussion and analysis on the Mining Company for the three years ended 31 December 2009 and the three months ended 31 March 2010:

Business and financial review

As mentioned previously, the Mining Company was established in the PRC on 23 August 2006. The Mining Company is engaged in the exploitation of copper and molybdenum and holds the Mining License. The Mining Company did not record any turnover, cost of sales and gross profit for the three years ended 31 December 2009 and the three months ended 31 March 2010 respectively.

The Mining Company recorded losses before and after tax of approximately RMB2,981,829, RMB1,379,111, RMB559,143 and RMB182,888 for the three years ended 31 December 2009 and the three months ended 31 March 2010 respectively.

Liquidity and financial resources

As at 31 December 2007, 2008, 2009 and 31 March 2010, the Mining Company did not have any bank borrowing; while other payables were approximately RMB4,998,019, RMB2,362,421, RMB2,697,374 and RMB2,827,094 respectively as at 31 December 2007, 2008, 2009 and 31 March 2010 respectively.

The Mining Company had cash and bank balances of approximately RMB3,425,384, RMB58,275, RMB11,685 and RMB2,917 as at 31 December 2007, 2008, 2009 and 31 March 2010 respectively. The Mining Company's cash and bank balances were primarily denominated in RMB.

The gearing ratio, expressed as a percentage of total debts over total equity, as at 31 December 2007, 2008, 2009 and 31 March 2010 were approximately 99%, 65%, 87% and 97% respectively. As at 31 December 2007, 2008, 2009 and 31 March 2010, the Mining Company's net assets were approximately RMB5,030,165, RMB3,651,054, RMB3,091,911 and RMB2,909,023 respectively.

Capital commitment

As at 31 December 2007, 2008, 2009 and 31 March 2010, the Mining Company had no capital commitments.

Treasury policies

The Mining Company had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the three years ended 31 December 2009 and the three months ended 31 March 2010.

Exchange rate exposure

The Mining Company suffered from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of copper and molybdenum. The international copper and molybdenum markets are predominately priced in US dollars which exposes the Mining Company to the risk that fluctuations in RMB/US dollar exchange rates may also have an adverse effect on current or future earnings.

Charge of assets

As at 31 December 2007, 2008, 2009 and 31 March 2010, there was no pledge of assets of the Mining Company.

Employees and remuneration policy

The employee costs of the Mining Company, including directors' emoluments, amounted to approximately RMB320,346, RMB203,389, RMB88,732 and RMB36,000 for the three years ended 31 December 2009 and the three months ended 31 March 2010 respectively.

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned. The number of full-time permanent employees of the Mining Company was around 21, 7, 7 and 6 as at 31 December 2007, 2008, 2009 and 31 March 2010.

Acquisition and disposal of subsidiaries

The Mining Company did not have any significant investments, material acquisition and disposals for the three years ended 31 December 2009 and the three months ended 31 March 2010.

Contingent liabilities

The Mining Company did not have any contingent liabilities as at 31 December 2007, 2008, 2009 and 31 March 2010.

TECHNICAL REPORT

The Copper and Molybdenum Mine
Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, The People's Republic of China

FOR
CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

PREPARED BY
ROMA OIL AND MINING ASSOCIATES LIMITED

DATE : 9 AUGUST 2010
CASE REF : KY/TR320/MAY10

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E-mail info@roma-international.com
http:// www.roma-international.com

9 August 2010

The Directors
China Properties Investment Holdings Limited
Room 2001, 20/F, Lippo Centre,
Tower Two, 89 Queensway,
Hong Kong

Case Ref: KY/TR320/MAY10

Dear Sirs/Madams,

Re: Technical Report concerning Copper and Molybdenum Project operations located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the People's Republic of China

1. INTRODUCTIONS AND SCOPE OF REPORT

China Properties Investment Holdings Limited (hereinafter referred to as the "Company" or the "Client") commissioned Roma Oil and Mining Associates Limited (hereinafter referred to as "ROMA") to review the Copper and Molybdenum Project (hereinafter referred to as the "Project" or the "Mine") operations located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the People's Republic of China (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮).

This property (the "Property") has staked several concessions at application stage covering the Property, which together cover an area of 1.7259km^2; 20km and 265km away from Keshi Ketengqi Jingpengzhen (克什克騰旗經棚鎮) and Chifengshi (赤峰市) respectively and is easily accessed by National highway Nos. of 303 and 306.

The scope of work entailed review of pertinent geological and metallurgical data in sufficient detail to prepare the Technical Review Report. Only limited references to previously completed early stage metallurgical work were available.

ROMA was required to provide an independent technical report (the "Report") for potential equity investors and possible future shareholders so that they could review the Copper and Molybdenum Project.

The Mine belongs to Keshi Ketengqi Sanyixiang with an aggregate mining area of 1.7259 km^2 with the Geographical coordinates of the Mine is:

North latitude	43°16'30"	– 43°17'00"
East longitude	117°14'30"	– 117°16'15"

Elevations of the Mine are between 1330m and 1521m above sea level. The area has a temperate semi-arid continental climate. The local economy is not developed and is mainly based on agriculture and herd. Population is sparsely located but the labour force is affluent. Water and electricity can be well supplied for the demand of the mining process.

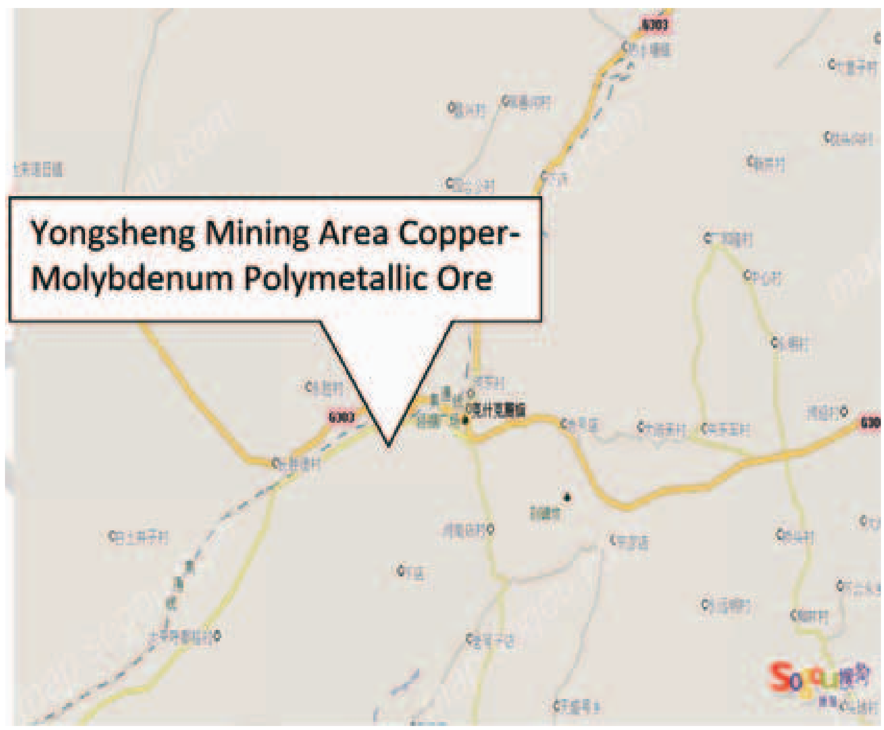


Figure 1 – Location of Mine

Figure 2 – Entrance of the mining area

Figure 3 – Boreholes drilled during the geological study of the area

2. PROGRAM OBJECTIVES AND WORK PROGRAM

2.1. Program Objectives

Objectives of the program were to review available data, participate in a site visit and provide the Client with both verbal feedback and this Report.

2.2. Purpose of the Report

The purpose of the Report is to provide potential equity investors and shareholders of the Company and The Stock Exchange of Hong Kong Limited (hereinafter referred to as "HKSE") with an Independent Technical Review Report. The Report has been prepared in accordance with Chapter 18 of the Listing Rules of the HKSE.

2.3. Reporting Standard

This Report has been prepared to the standard of and is considered by ROMA to be, a Technical Assessment Report under the guidelines of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (hereinafter referred to as the "VALMIN Code"). The VALMIN Code is the code adopted by the Australasian Institute of Mining and Metallurgy (hereinafter referred to as "AusIMM") and the standard is binding upon all AusIMM members.

The VALMIN Code incorporates the Joint Ore Reserves Committee (hereinafter referred to as "JORC") Code for the reporting of Mineral Resources and Ore Reserves as defined in the JORC Code. This Report is not a valuation report and does not express an opinion as to the value of mineral assets. Aspects reviewed in the Report do include product prices, socio-political issues and environmental considerations. ROMA does not express an opinion regarding the specific value of the assets and tenements involved.

2.4. Work Program

ROMA's work program involved two phases:

- Phase 1: reviewing of information provided; conducting a site visit to the Project operations located at the Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia; discussing with personnel of Client; and collecting and reviewing of further documents; and

- Phase 2: analysis of the provided data, writing the Report, review of additional data and finalization of the Report.

2.5. Statement of Independence of ROMA

Neither ROMA nor any of the authors of the Report have any material existing or contingent interest in the outcome of the Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of ROMA.

ROMA has no prior association with Client in relation to the mineral assets that are the subject of the Report. ROMA has no beneficial interest in the outcome of the technical assessment conducted in connection with the preparation of the Report which is being capable of affecting its independence. ROMA's fee for preparing the Report is based on its normal professional daily rates plus reimbursement for incidental expenses. The payment of ROMA's professional fee is not contingent upon the outcome of the Report.

2.6. Warranties

Client has represented in writing to ROMA that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

2.7. Indemnities

As recommended by the VALMIN Code, Client has provided ROMA with an indemnity under which ROMA is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- Which results from ROMA's reliance on information provided by Client which is inaccurate or incomplete; or
- Which relates to any consequential extension workload through queries, questions or public hearings arising from the Report.

2.8. Consents

ROMA consents to the Report being included, in full, and the reference to ROMA's name and names of the authors of the Report in the shareholders' circular to be issued by Client, in the form and context in which the technical assessment is provided, and not for any other purpose.

2.9. Statement of Qualification of the Competent Person

I, Herman Tso, hereby confirm that:

- I have carried out the assignment for Roma Oil & Mining Associates Limited, located at:

  Unit 3806, 38/F, China Resources Building,
  26 Harbour Road, Wan Chai, Hong Kong
  Tel: (852) 2529 6878
  Fax: (852) 2529 6808
  Email: hermantso@roma-international.com

- I graduated with a Bachelor's degree in Civil Engineering (B. Eng.) from Lakehead University, Canada in 1990, a Master of Business Administration (MBA) from California Southern University, U. S. A. in 1998, and a Doctor's degree in Civil Engineering (Ph.D.) from Stamford Hill University, U. S. A. in 2002. Stamford Hill University ceased operation in 2004 due to lack of financial support.

- I am a professional member of the Institute of Materials, Minerals and Mining (UK), a board member in the Hong Kong branch of member of the Institute of Materials, Minerals & Mining.

- I am a professional member of the Canadian Institute of Mining, Metallurgy and Petroleum, the Canadian Geotechnical Society and the British Geotechnical Society.

- I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understand the definitions of "competent person" and "competent evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "competent person" as well as a "competent evaluator" as set out in the listing rules for the purpose of the Report.

- I am the primary author responsible for the preparation and compilation of the Report, with Mr. Kelvin Luk facilitating.

- I have neither present nor prospective interests in the Company, the Project or the values reported herein.

- I am not aware of any material fact or material change with respect to the subject matter of the Report that is not reflected in the Report.

- The Report has been prepared consistent with the guidelines set by the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports.

3. REGIONAL GEOLOGY

The regional geology and local geology have been investigated by the Team 2 Geological Survey in April 2009, the details were reported in the Geology Assessment Report for the Copper and Molybdenum Mine Located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jinpeng Zhen, Chifeng City, Inner Mongolia.

3.1. Background

The Mine is located at Sonid Right Banner of the geosynclinal fold system in central Inner Mongolia tectonic of the Northern China – Linxiwanhuali west sub-fold belt – Gershwin – central part of Linxifu Syncline, Ailigemiao – the middle block of Xilinhot and the suture site of northern China platform which situated in the central part of Daxinganling volcanic activity belt. The fault zone of the Daxinganling ridge is located at the north eastern direction across the northwest side of the mining area. The region presents a series of compressive, shear-pressure faults, which meet the Solon Obo – Keshi Keteng Qi fault zone area.

3.2. Strata

The exposed strata in this region are mainly Permian Dzia (Plzs), Manketouebo (J3m) and quaternary loose deposit. They are listed in chronological order as below:

3.2.1. Lower Permian:

Plzs: The region has a large outcrop distributed along Tuboo Lügou – Simingwen South Hill, Jingfeng Town back mountain, Sanxingchang. The lithology is dark greyish brown, greyish black metamorphic siltstone, metamorphic fine-grained siltstone, greyish black silty slate, spotted slate, metamorphic fine– to medium-grained lithic sandstone, metamorphic pebbly medium– to coarse-grained lithic sandstone, bioclastic limestone lenses. These sedimentary rocks show apparent deposition sequence, fining upward.

3.2.2. Jurassic:

Manketouebo: Distributed in Jinpeng in the northern territory in Daxigou area, banded distribution to the northwest direction. The lower part contains dark grey tuffaceous sandy conglomerate, tuffaceous fine sandstones containing greenish grey rhyolitic brecciated crystal tuff. The upper part is greyish green, greyish purple rhyolitic brecciated crystal tuff, tuffaceous breccia, tuff, and rhyolite.

3.2.3. Quaternary

3.2.3.1. E Pleistocene

It is located on the front piedmont and the both sides ravine, with thickness of 2-20m in general. The lithology is quite uniform, with pale yellow loess and sandy loam.

3.2.3.2. Holocene (Qhed)

The lithology of the aeolian sand, which is located in low-lying region in the southern area, is composed of mainly well-sorted and rounded white to milky white quartz sands, with a small amount of feldspar sand. Oblique beddings are observed, and crescent dunes are commonly seen. The thickness is generally 1-10m.

3.3. Magmatic rocks

Magmatic Rocks are well-developed in the region, with mainly Yanshan granite, distributed in the area of Qingshan forest, Henandian, Guojiayinzi, Dajintaomen, Shangchang. The lithology is mainly of pale red medium- to coarse-grained monzonite and K-feldspar granite.

3.3.1. Medium- to coarse-grained monzonite

Distributed near Shidi and Liutiaogou. The outcrops are irregularly oval-shaped, intruding the Lower Permian Dzis; Jurassic Manketouebo.

The main features are its red-meat colour, granitic texture, crushed and relict granitic texture, coarse mylonitic and massive structure. The major minerals are K-feldspar, plagioclase, biotite. The mineral contents are generally: 40% K-feldspar, 20-25% plagioclase, 30-35% quartz, 3-5% biotite. Common phenomena include alterations such as chloritization, silicification and sericitization. Pyritization and chalcopyritization also occurred in some parts.

3.3.2. K-feldspar granite

K-feldspar granite is distributed at Huangtupo and Soubaoshan. It intruded the Lower Permian Dzis as dyke, trending northeast. The outcrop has irregular oval pattern. The lithology characteristics are: red-meat colour, granite texture, crushed granite texture, relict granite texture, coarse mylonitic structure, massive structure. The mineral contents are mainly as: >50-55% K-feldspar, 10-15% plagioclase, 30%± quartz, 5% biotite and other minerals. It has been altered by chloritization, silicification, sericitization and pyritization.

3.3.3. Dyke

A large amount of dykes intruded during the Late Yanshanian magmatic activities. The dykes in the site intruded the Lower Permian layers.

a) Porphyritic granite

It developed in the strata between Lower Permian Dzis and Upper Jurassic Manketouebo, trending NE or NW, with length of 600-2000m and width of 10-20m. The margins have undergone contact metamorphism.

b) Diorite

It is found in the Lower Permian Dzis strata, trending E-W, with length of 800-1000m and width of 20m.

c) Quartz Veins

It is distributed along the NE Lower Permian Dzis strata, with length of 500-1000m, intermittent exposed. The width is generally 10-15m.

4. LOCAL GEOLOGY

The property covers the eastern portion of a large east-northeasterly trending, stratigraphically-distinct, fault-bounded highland. The lithologic units on the property have been described chronologically from the oldest to the youngest.

4.1. Middle to Upper Triassic Volcanic and Sedimentary Rocks

Recent geological mapping has identified an intercalated sequence of augite-phyric volcanic and volcanically-derived sedimentary rocks cropping out between the north-eastern slopes, underlying most of the northern portion of the property. Alkaline volcanic rocks, informally called the 'Dynamite Hill' volcanic, crop out north and northwest of the site, along the East Gully to Creek drainages north.

They also occur on the south-eastern side of the stock in fault contact with the Middle Jurassic Group sedimentary rocks. Volcanic rocks are dominated by augite-phyric pillowed flows and flow breccias of basaltic composition. Porphyritic basic volcanics are with no visible structure; however, they are dominated by relatively massive flows which locally exhibit poorly developed pillow structures and flow banding. They, appeared on the surface, are dark green-coloured, quite massive, and with varying amounts of augite, hornblende and plagioclase phenocrysts in a green chloritic groundmass. Rocks observed along the intrusive contact of the Red Stock are often bleached and pyritized resulting in a pale green to buff colour, and a more felsic macroscopic colouration.

The volcanic rocks are locally intercalated with Middle to Upper Triassic volcanically-derived fine-grained sedimentary rocks, including volcanic wacke (feldspathic sandstone), siltstone and siliceous siltstone, on a scale of metres to tens of metres. Volcanically-derived sedimentary rocks are much more prevalent in the western map-area. At the Gully Zone the volcanically-derived sedimentary rocks have been intersected by deep drilling and host a significant portion of the copper-molybdenum mineralization where they occur as faulted slices and wedges within the fault-brecciated margins of the Stock. These rocks also occur at the Far West Zone where they host a portion of the mineralization and occur in intrusive contact.

4.2. Early Jurassic Plutonic Rocks

Several stocks and dykes of hornblende-plagioclase porphyritic quartz monzodiorite composition have been mapped within the Plateau area. These intrusions occur in close proximity are very similar to it in geometry and texture. Weather buff-white to light grey, and have distinctive medium- to coarse-grained hornblende and plagioclase phenocrysts randomly oriented in an aphanitic grey groundmass. Reports suggest that four fractions from drill core are of earliest Early Jurassic age. This date correlates well with three dates from various others throughout the Lake map area. All samples also show an Early Paleozoic inheritance.

The Red stock is elongated, irregular in shape, and occupies a major east-north-easterly en echelon fault structure. It may also extend well beyond its exposed boundaries as a buried pluton beneath the partially eroded older volcanic and sedimentary cover. Various plutons both east and west of the main stock were identified but, except for variation of pyrite and hornblende contents. They were apparently identical and are probably apophyses of a larger intrusion. Thermal metamorphic and metasomatic features, such as moderate hornfelsing, increased pyritization and propylitic alteration, but they have not been foliated. These features suggest that the stock was indeed emplaced hypabyssally and is probably comagmatic with the surrounding volcanic country rocks.

Two compositionally-similar phases of plutonic rocks comprise the stock and these rocks are cut by several post-mineral dykes of dioritic to monzonitic composition. The 'Main Phase' unit is a medium-grained, weakly- to intensely-altered plagioclase-hornblende porphyritic monzodiorite that hosts most of the known copper-molybdenum mineralization and constitutes approximately 70-80% of the stock. The 'Late Phase' unit is now thought to comprise of both unaltered and barren Main Phase and post-mineral dykes with indistinct flow-banded and chilled margins; all of which are remarkably similar in composition and texture to very weakly altered Main Phase rocks. However, the Late Phase unit appears to be fresher and less altered than the Main Phase unit, usually barren of copper-molybdenum mineralization, and represents approximately 20-28% of the stock.

The late-stage, post-mineral dykes are commonly porphyritic, ranged in composition from dioritic to monzonitic, are usually less than 1- to 5-metre wide; although they may attain widths of up to 50 metres in the western end of the deposit area. These dykes comprising the remaining volume of the intrusive breccia occurs throughout the area; especially along the north-eastern and western margins of the deposit and within the Gully and Far West zones.

Breccia bodies may range locally in width from a few metres to 100 metres or more. Their contacts are relatively distinct; marked by a rapid increase or decrease of subangular to angular fragments of plutonic rock. These fragments can vary from less than a centimetre to several metres in diameter.

The older country rocks are cut by several varieties of late-stage, post-mineral dykes; identified by their texture, mineralogy and appearance. There are three main varieties, which chronologically are: Porphyritic Feldspar-Hornblende-Biotite Dykes (DPFH), Quartz-Carbonate Amygdaloidal Dykes (DQCA), and Mafic Dykes (DMAF).

4.3. Lower to Middle Jurassic Volcanic Rocks

Lower to Middle Jurassic trachytic to rhyolitic flows have been mapped at the western end along the Creek drainage. These volcanics were also mapped by classifying them as intermediate to acid volcanics and minor pyroclastics. They reported that these volcanics are more varied than those underlying Dynamite Hill and that the rocks ranged from dark green andesite to orange trachyte and white rhyolite. Minor tuffaceous volcaniclastics are intercalated with the volcanics rocks. They appear to be late-stage extrusive equivalents of the intrusion with bedding attitudes striking 90° and dipping northward at 45° along the north side of the stock to striking north and dipping sub-vertically further to the west.

4.4. Middle Jurassic Ashman Formation

Marine clastic sedimentary rocks of the Ashman Formation is the basal unit of the Middle Jurassic Group. It defined the southern boundary of the Mine. The siltstone, chert-pebble conglomerate and sandstone rocks sequence is progressively younger towards the south. Therefore, the deposition started from the north and proceeded to the tectonically-active northern margin.

Massive to well-bedded chert-pebble conglomerates occur in fault contact with the southern margin of the stock varying from 5 to 15cm thick, are defined by an up-section reduction in both size and abundance of chert clasts. Local massive conglomerates contain 40 to 60% sandstone clasts and/or matrix sandstone. Both laminated and massive conglomerates have subrounded, 0.5 to 3cm diameter, light to dark grey or green chert pebbles in a tan brown to grey sandstone matrix.

4.5. Structure

The mining area is located in central part of Zhexin – Linxi synclinoria. The rock layers have simple folded monoclinic structure, dipping northwest at angles of 40°-60°. The faults in the area can be classified into three groups, which are trending E-W, trending NW and trending N-S.

4.5.1. Structure trending E-W

The structure trending E-W is the main structure in the region. It is distributed parallel or nearly parallel to the Main regional tectonic lines; parallel or nearly parallel to the Solon Obo – Keshi Keteng Qi fault. It is in a compression setting, with width of tens of meters, dipping at about 350°-360° with angles of 60°-70°.

4.5.2. Fault structure trending NW

Distributed in the area of Badi: it is developed NW, dipping SW at 70°. The structure offsets the Lower Permian strata and cuts the Yanshan granite. It passes through the kataclasite, with strong silicification and formation of limonite on the rock surface. Inside the crushed zone, there are quartz veins running with the same direction as the fault. The fault plane has slickenside and mirror plane. The tectonic nature is tension shear.

4.5.3. Structure trending N-S

The area near the N-S-trending fracture structure is not well-developed. Only the southwest region of the surveying area can be seen. The structure cuts the granite. The tectonic structure is tension shear.

4.6. Mine Production

The mineral ores in the region were mainly formed by the hydrothermal deposit and skarn deposit related to the Yanshan granite. Ore minerals include Molybdenum, Copper, Lead, Zinc, Tin, Tungsten, Gold and Silver. Large-scale deposits include Bairendaba Silver Polymetallic Mine, Yuzhoudi Lead-Zinc Mine and Huangguangliang Iron-Tin Mine.

4.7. Geologic Feature

4.7.1. Strata

Outcrop strata in the area are defined as mainly consist of Lower Premian Dzis (Plzs) and Quaternary loose deposit.

4.7.1.1. Lower Permian Dzis (Plzs)

Distributed in the northern part of the mining area, it was deposited regressively from shallow sea with reducing environment to shore oxidizing environment. The lower part of the lithology is greyish brown, greyish black metamorphic siltstone, interbeddings of metamorphic fine-grained sandy siltstone and greyish black silty slate. It shows horizontal stratification and ripple pattern. The upper part is greyish brown, greyish yellow, grey metamorphic calcareous fine- to medium-grained feldspar sandstone, greyish black calcareous silty slate, silty slate, greenish grey, greyish purple metamorphic calcareous silty sandstone.

4.7.1.2. Pleistocene of Quaternary

It is widely distributed on the two sides of the valley of the front piedmont. The area is relatively large, with thickness of 2-20m. The lithology is relatively uniform and is mainly consisted of pale yellow loess sandy loam, with sandy lens. The rocks near ground surface show calcification.

4.7.2. Magmatic rock

Distributed in the southern part of the mining area, they are mainly intrusive rocks formed during Late Yanshan period. The lithology is granite and monzonite, red in colour, granitic texture, porphyric texture, crushed granite texture, massive texture. The major minerals include K-feldspar, plagioclase, quartz, and biotite. The composition of such rocks is: 40% K-feldspar, 20-25% plagioclase, 30% quartz, and 3-5% biotite. Alterations including chloritization and formation of carbonate are commonly observed. Introduction and replacement with K-feldspar are also seen. Among the granites, there are pyrite, molybdenite, specularite, diopside skarns. The chemical composition of the minerals is listed in table 1.

Sample	SiO_2	Fe_2O_3	Al_2O_3	TiO_2	CaO	MgO	K_2O	Na_2O	P_2O_5	MnO	CuO	FeO
1	71.24	1.78	14.12	0.36	1.05	0.40	5.20	3.10	0.11	0.08	1.92	1.04
2	71.78	1.84	13.89	0.20	1.93	0.27	4.23	3.65	0.04	0.14	1.41	0.96

Table 1 – Chemical Composition of Rocks

The main copper and molybdenum ore bodies are deposited in the granite. Country rocks near the ore are damaged by the east-west-trending structure and are crushed as breccia. Brecciated granites have been altered by sericitization and silicification. Silicification mainly forms siliceous veins with varying thickness from 1mm to 1.5mm. The brecciated granites are distributed in directions parallel or oblique to the fracture belt. The colour is generally white to greyish white, with crystalline structure and massive structure, consisting mainly of quartz minerals. Inside the quartz veins, the major minerals are polymetallic such as molybdenite, chalcopyrite, galena, sphalerite, pyrite and specularite. Aluminium polymetallic ore is mainly developed in quartz veins and the nearby brecciated granites.

In the ore body of granites, a number of places show disseminated, mottled and spotted aluminium minerals.

In the region, mineral alterations of KH1, KH2 and KH3 were developed inside the tectonic broken zone, which controls the distribution of the alterations. There are three zones of mineral alteration in the region, with locations consistent to that of KH1, KH2 and KH3. Characteristics: developed along the E-W direction. Strike: 80˚. Direction: NW, dip: 60˚±. The length is 180-530m, and the width is 10-0m. The tectonic fracture zone was developed in monzonite during the late Yanshan period.

Through the development of compression schistosity, compression lens and breccia, rubble and compression lens were formed from late Yanshan granites. Siliceous cement and siliceous veins were formed in the tectonic fracture zone. Siliceous veins offset the cement and breccia. The near east-west structure is the main body of the ore. The tectonic nature is tension-shear.

The northwest-southeast strike texture is relatively well-developed, which mainly represented by the quartz vein running in the direction of NW, distributed in the eastern and southeastern part of the mining area.

4.7.3. Alteration of Margin Rocks

The alternations of margin rocks are mainly of zone alterations, distributed along the altered zones of Late Yanshan granites. The alterations include sericitization, silicification, pyritization, chloritization and formation of carbonate, as well as introduction of K-feldspar. Among the granites, there are chalcopyrite, molybdenite, specularite, diopside skarns.

Sericitization	–	rocks were formed with relatively high potassium content in pyrometasomatic process. The altered minerals in the region are fully secricitized in general.
Pyritization	–	the melanocratic minerals in felsic rocks was substituted by pyrite during alteration.
Silicification	–	Silicification in the tectonic fracture zone will be in the form of quartz vein, parallel vein or network vein. The size of quartz vein varies, generally from several centimetres to metres. Minerals in the quartz vein include chalcopyrite, pyrite, galena, molybdenite and sphalerite.
Chloritization	–	by decomposition of biotite.
Carbonitization	–	calcite is formed as veins.

4.8. Ore Body Characteristics

From the results of drilling work performed, the ore body consists of No. I to V Molybdenum Ore Body, and every ore belongs to the stockwork quartz vein. Characteristics of each ore body are listed in table 2.

Ore Body No	Length *(m)*	Extended Depth *(m)*	Thickness *(m)*	Ore Body Shape	Strike	Occurrence Dip Direction	Dip	Cu *(%)*	Average Grading Mo *(%)*
I	500	125-280	21-29	Ribbon Lenticular	302°-122°	212°	5°-13°	1.26	0.133
II	530	60-110	1-2.66	Ribbon Lenticular	300°-120°	210°	8°-20°	1.36	0.115
III	380	55-90	2~5	Lenticular	300°-120°	210°	3°-18°	–	0.099
IV	250	210	4~10	Lenticular	300°-120°	210°	13°	–	0.096
V	180	110	2.25-6.0	Lenticular	300°-120°	210°	45°	–	0.078

Table 2 – Ore Body Characteristics List

4.9. Country Rocks and their Alteration

Country rocks in the mining area are the tectonic breccia in the fracture zone. Yanshan granite exists on the surrounding area.

Alterations of country rocks in the mining area are mainly related to the formation of polymetallic ore body and americium with mineralisation. At the later stage of magmatic activity during the Yanshan period, hydrothermal ore-bearing siliceous materials moved upside along the tectonic breccia. During the process of filling and metasomatism, polymetallic ores mainly consisted of aluminium were formed, and mineralization resulted in linear alterations such as silicification, sericitation and chloritization.

4.9.1. Composition

4.9.1.1. Ore Mineral

Compositions of ore mineral are relatively simple. They include molybdenite, chalcopyrite, pyrite, pyrrhotite, hematite, malachite and limonite.

Molybdenite: silvery grey in colour, platy hexagonal crystals terminated by pinacoidal faces, where flakes, laths and varying sizes of grains filled inside the gangue mineral particles, often have metasomatism with pyrite, chalcopyrite and fine-grained chalcopyrite inclusions. Inner inclusions are distributed between the gangue mineral particles.

Chalcopyrite: brass yellow in colour, granular, mesh or irregular-shaped, filled in cracks in pyrite ores, often wrapping pyrite or having metasomatism with chalcocite.

Pyrite: pale yellow in colour, cubic crystal, granular, massive or irregular-shaped. Veins are filled between quartz breccia, often wrapped by chalcopyrite and having metasomatism with chalcocite. Partial fragmentation occurs.

4.9.1.2. Gangue Minerals

Mainly consist of quartz, chlorite, sericite, apatite and kaolinite.

Quartz: white to greyish white, indistinct cleavage, conchoidal fracture, vitreous luster, granular shape and massive.

Sericite: yellowish white, micaceous fracture, vitreous luster. Ores contain more gangue mineral.

Chlorite: green to dark green, micaceous and irregular-shaped.

4.9.2. Structure

Often seen as self-shaped structure, semi self-shaped structure, other granular-shaped structure, residual structure, metasomatism dissoluted structure, inclusive structure and reaction edge structure.

Self-shaped structure: Pyrites in the form of intact cubic and molybdenite in the shape of hexagonal crystal are seen in the ores. Both are self-shaped structures.

Semi self-shaped structure: pyrites are partly well-shaped in the ores and appear as semi self-shaped crystals.

Other granular-shaped structure: majority of the metal ores are products of other granular-shaped structure, which leads to formation of such structure.

Metasomatism dissoluted structure: chalcopyrite and molybdenite contained in the ores have metasomatism with pyrite, resulting in the formation of round-shaped pyrite crystals.

Inclusive structure: pores in molybdenite contain altered gangue minerals, and pores in pyrite contain molybdenite crystals. The two form inclusive structure.

Reaction edge structure: molybdenite in the ores has metasomatism surrounding the chalcopyrite, forming a reaction edge.

Agglomerate structure, stockwork structure, vein structure constructed in granite in the mining area, which turns out to be partially dipped structure.

Dipped structure: metal minerals are of rounded shape and star shape, distributed in gangue minerals.

Agglomerate structure: minerals such as pyrite, chalcopyrite, molybdenite and aggregates in the form of pellets distributed in the gangue minerals.

Vein structure: chalcopyrite and molybdenite produced along the pyrite veins, part of which cemented into vein structure along the cracks of gangue minerals, filling gaps by spinning into web-like stockwork structure.

4.9.3. Mineral Type

Copper-molybdenum polymetallic deposits are mainly located inside the quartz vein. Since they are located on alpines where water is lacked, the surface oxidation zone is not developed. According to surface trenching, only small amount of molybdenum oxide and copper oxide are discovered on the surface. Molybdenum oxide and copper oxide are representing below 5% and 10% respectively. The Yongsheng copper-molybdenum mine at Keshi Keteng Qi belongs to the industrial ore type of original sulphide ore, and the industry belongs to the quartz-vein copper-molybdenum ores in the various types of country rocks.

4.10. Hydrogeology

4.10.1. Regional Hydrogeology

The mining area is located in south Dongpo in the southeast section of Greater Khingan, with declining terrain from northeast to southwest. The altitude is 1,400-1,500m in general, with a minimum of 1,330m and maximum of 1,521m, having an absolute difference of 191m. With precipitous mountains, steep slopes and deep cutting level, it is beneficial for precipitation and rapid excretion.

The regional climate belongs to semi-arid central climate zone with inland monsoon climate. It is cold in winter, windy in spring and autumn, and the climate is dry. Annual precipitation is 342.4 mm, mainly happens in July and August.

Annual evaporation amounts to 1,768.2mm, where evaporation is greater than precipitation. While river system is yet to be developed, Syrah Mu Lun River is connected to 26km to the south of the mining area, and two tribulates of Biliugou River are connected to the southeast and west of the mining area.

4.10.2. Groundwater and Aquifer

The aquifer is classified into two main categories, namely the quaternary pore water of loose rocks and the bedrock fissure water.

4.10.2.1. Quaternary Pore Water of Loose Rocks

These rocks are mainly distributed in low-lying valley, which can be divided into three layers.

The first layer of rocks consists of aeolian white to creamy white quartz and feldspar sand. Rocks are loose, with a thickness of 10m. The major part of the layer consists of aquifers, while some part includes groundwater.

The second layer consists of sand products of ice lake, and brown sub-clay of ice ruin. It has a thickness of 10-20m, with the presence of a small amount of phreatic. Water inflow per single well is 100 tons/day in general.

The third layer consists of fine sand deposits in ice lake, gravel layer, and ice accumulation of sand and gravel layers. They are of different sizes and are hence difficult to be sorted. Ice lake accumulates fine sand. Aquifer has a thickness of 50-100m on average and a maximum of 150m, where water inflow per single well is 100 tons/day in general. Sands and gravel layers accumulated from ice water are with thickness of 10-30m, where water inflow per single well is approximately 100 tons/day in general.

The groundwater in the layer is approximately 40-70m below the ground. Due to the fact that the rocks are difficult to be sorted, the permeability is directly affected. As a result, there exist huge differences among the water inflows of the wells. As a whole, the aquifer is a transitory type of weak and medium aquifer.

4.10.2.2. Bedrock Fissure Water

Fissure Water-poor Layer

Manketouebo formation of upper Jurassic, mainly distributed in the northeast part of the mining area. The lithology is consist of pale rhyolite crystal containing tuff in the forms of breccia debris and crystal chips, grey dactic rhyolite, pale tuffaceous glutenite. The cracks are well developed having width of 0.2-1mm with spring flow of 5-20 tons/overnight. These areas are the water-poor area inside the layer.

Extremely Water-poor Areas in Bedrock Fissure

The Gershwin group system under the Permian system, and biotite monzogranite later stage of Yanshan period, are distributed in the regional extremely water-poor areas in bedrock fissure. Gershwin group stratum under the Permian system exists significantly in the mining. The precence of biotite monzogranite is more common at the later stage of Yanshan period. Rocks are subject to long-term erosion due to exterior forces, which results in the development of cracks in joints. Water storage bases are formed resulting from weathering cracks, with water inflow of 5-20 tons/overnight per single well.

4.10.3. Groundwater recharge, runoff and discharge conditions

Precipitation in this region is generally replenished from groundwater. The annual precipitation is 342.2mm. While majority of the precipitation is evaporated, part of the replenishing groundwater may lead to the formation of surface runoff, where the precipitation infiltration index is 0.03-0.05. The water system in this region is not developed. Except rains on the two tributaries in the upstream of Biliugou River, there is no other source of water.

The mining area is located at the ridge of the watershed of the two tributaries in the upstream of Biliugou River. Mountains toward the northeast direction are extended to the central, northern and southern part of the mining area.

The direction of groundwater runoff mainly goes from central eastern part toward south and northwest. Whereas horizontal, it goes up to medium to high mountain areas to gain precipitation supplements. The runoff infiltrates underground and forms runoff, and supplement the quaternary Pleistocene water-poor layer in the form of lateral flow.

4.11. Hydrogeological conditions

4.11.1. Mining Area

The mining area is situated at the ridge of the watershed of the two tributaries in the upstream of Biliugou River. It has an area of 2.19km^2 located from the northeast part toward the mountains are extended to the central mining area, which results in the formation of highland and low-lying area in southern northwest. The landscape unit of the mining area consists of low hills, with an altitude of 1,280-1,520m.

4.11.2. Groundwater Distribution

4.11.2.1. Quaternary Pleistocene water-poor layer

Located in aeolian sand and under sub-clay where the Pleistocene permeable excludes water, sloping alluvial sand and gravel layer dive. Bottom sand eggs are with sand gravels. The thickness of the aquifer is 10-20m, with water inflow of 5-20 tons/overnight per single well.

4.11.2.2. Extremely Water-poor Areas in Fissure

The formation of stratum of the Gershwin group system under the Permian system is distributed significantly in the mining area. The main lithology of the country rocks in the molybdenum ore body is dark brown, grey-black metamorphic siltstone, metamorphic fine-grained siltstone, grey-black silty slate, spotted slate, metamorphic fine– to medium-grained lithic sandstone, metamorphic pebbly medium– to coarse-grained lithic sandstone and bioclastic limestone lenses. In the later stage of Yanshan period it was mainly monzogranite. Rocks have been altered by exterior forces, the long-term erosion, joint fissures. They formed a fracture-based storage space weathering, with a very small amount of water.

4.11.2.3. Fault

East-west and northwest in the region and south east towards the development of faults, and alternating between the two often appear together, which produces a storage effect on the local groundwater. During the construction, outflows of groundwater happened along the veins surrounding the country rocks, and there were infiltrations in the fracture. The fracture is not large, with width of 0.5-2 cm and length of 0.5-0.9m. Although no fillings take place, the fracture has poor connectivity. The richness of rocks on their horizons are varying in a wide range. Drippings occur occasionally, result in rocks turning dry. Water outflow through discharge tunnel is calculated as 15.0 tons/overnight period.

14 geological holes have been constructed on the exploration lines of the mineral zones 0-11. Water consumption is little in the holes during the drilling construction. Stable water level in the final hole is approximately 80-100m.

Through observations of 420m PD1, YM1, CMO, CM3 and CM4, and checking of drilling rock, the Gershwin group Permian siltstone and monzogranite at the later stage of Yanshan period contain low content of water, and water points are limited to the surrounding areas of the belt. Since only a few tons of water is discharged, they can be regarded as extremely lack of water or with no water.

4.11.3. Groundwater Replenishment, Runoffs and Discharges

Granite and siltstone in the mining area formed low-hill terrains, with an absolute elevation of 1,380-1,520m. The highest point is situated in the north eastern part of the mining area, which has an elevation of 1,521m. The ridges appear to be facing northeast direction, where a watershed was formed. Migration pattern of groundwater in the mining area: peaks and slopes absorb precipitation for replenishment, which will be aggregated at the bottom of valleys. Finally groundwater flow into the water-poor layer in the form of lateral runoff through quaternary residual slope.

4.11.3.1. Groundwater Replenishment

The watershed and the high slopes are groundwater replenishing zones, where precipitation is the only source of water. Therefore, the condition of groundwater is heavily dependent on precipitation. The water level rises during the rainy season, which subsequently increases the amount of water discharged from tunnels. On the other hand, less water will be discharged when the water level decreases. Quaternary pore water of hillsides and fringe of valleys absorb replenishment from water lateral runoff other than that from precipitation

4.11.3.2. Groundwater Runoff

The mining area has low hills and steep slopes, which enable runoff of groundwater outside the area.

4.11.3.3. Discharge of Groundwater

With natural resources, groundwater in the mining area is discharged mainly in the forms of evaporation and lateral runoff. Due to exploration and exploitation activities, groundwater runoff has been altered, and evaporation is now the main way of discharge. At the same time, exploitation activities accelerate the discharge of groundwater.

To conclude, the mining area mainly consists of Fissure filling deposits, with no serious water-filling deposits. The richness of water in the aquifer is extremely low. Precipitation is the only source of groundwater replenishment while the terrain is favourable for the discharge of water. There is no huge area of water surface in the mining area, where the main ore body is situated above the local erosion base.

According to the "Detailed Survey of Geological Exploration of the Hydrogeology and Engineering Project of the Mining Area" issued by the Department of Geology and Mineral Water [1982] No. 200, the conditions of the complication of hydrogeology of the mining area belongs to type I, which means that the hydrogeology is simple.

5. ENGINEERING GEOLOGY

Rocks in the mining area are mainly divided into two categories, namely monzogranite at Yanshan period, and Lower Permian metamorphic siltstone and fine sandstone. The latter, though having fundamental bedding, has certain binding force on their layers due to later-stage tectonic changes. Therefore no soft interlayer exists and it is not easy to split along the bedding plane. The ore structures of the two types of ores are mainly affected by fault joints, and hence block structure.

The ore body in the mining area is mainly altered monzogranite and granite. They are of high strength. Samples have been extracted along the Roof and floor rock of the veins to test the physical and chemical properties of the ore body.

Rock	Mechanical Property Experiment			
	Compressive resistance	Tensile Strength	Shear Strength	
Type	(MPa)	(MPa)	Angle of Internal Friction (°)	Cohesion (MPa)
Granite	149.04	6.45	24.30	14.10
Altered Monozogranite	110.46	5.35	32.42	9.54
Molybdenum Ore	66.24	3.06	38.02	7.35

Table 3 – Results of Rock Mechanical Sample Test

The testing results show that the stability of the mining area, the ores and the rocks are satisfactory.

The tectonic lines in east-west direction of the mining area show that the length of the fault is approximately 550m, and the width is 1-10m. The fault nature is trans tensional. It has led to the development of surface and tectonic fault breccia structure, siliceous cement, siliceous veins along the structural surface. Veins and stockwork generally appear or are included in breccia of granite, where the filling conditions are good and the rocks are intact.

Through the observations from surface trenching and drilling, the ore body and the country rocks are highly resistant to wind. Only the surface rocks exposed are slightly affected by the effect of weathering. It can be concluded that the cracks in joins are widen and filled by weathered substances not exceeding 1m in general. Impacts on underground roadway are relatively small, and the original rock structure is kept well.

5.1. Stability Evaluation

Due to the fact that the roadway engineering method is employed in the exploitation process, the geological engineering analysis is performed to evaluate the stability of the country rocks.

Based on the "Classification of Artificial Rocks and Cavern Country Rocks" in "Underground Construction Technology Measure of Rocks", the roadway engineering of this mining area is classified as "basically stable" rock geology engineering due to the following reasons:

- The ore body mainly consists of block structure. Joints are not developed. When the roadways span within 5m, the average distance of cracks is 0.25m, which can satisfy the cross-ratio gap of $s>0.05$, the requirement of rock stability.
- The rock strength generally belongs to the "hard rock".
- Groundwater activities exist, weakening the stability of country rocks.
- Falling rocks and blocks partially inside the adit occasionally with roof caving occurs.

For fracture zone of larger width (above 2m) and the section with groundwater activities, supports should be given in order to ensure safety.

5.2. Environmental Geology

According to Seismic Ground Motion Parameter Zonation Map of China (GB-18306-2001), this area has the seismic peak ground acceleration of 0.05g referring to Earthquake Intensity Zoning Map of China (1990) is 6 degree.

Earthquake in mine location is inactive which mean it is stable. Since 1996, it occurred 14 times earthquake and Magnitudes were 3-5. No influence to human or animals from those earthquake occurred.

As the ground water is extremely uneven distributed, storage segment is discontinuous, water capacity is limited and catchment areas is dinky, even no water supply by auriferous layer, which limited water discharge turned out. Therefore, regional depression will not be occurred by any discharging in mine.

Selected mine water sample YM 1 along vein for hydrochemical test and result shown that the mineralization is 0.45g/l and hydrochemical type is HCO_3 SO_4-Ca. extracted the hydrosulphide as Cu^{e+},Pb^{2+},Cd,As,Hg,Cr^{6+}M but quantity of NO_3^- is 0.79mg/1 which mean it's the lower-quality water. Therefore, all of the mine water is not drinkable which only for dressing bit it will not pollute the ground water during the drainage.

When starting the stage of mining, wasted dump and tailings should preserve properly to prevent the geologic subsidence, such as ground subsidence, landslide and mudflow, also prevent or reduce the mineral such as molybdenum and sulphur etc. They may pollute the ground water during precipitation, leaching or infiltration.

More noise source will produce under the construction. Therefore, high efficiency mining with low noise or related equipments should be purchased for the mining construction. Equipments with strong noise and vibration should assemble the muffler and vibration damper.

There are not many residents are living around the mine area, that the pollutants by excreting are not much affecting the local residences. The quality of ground water is good. The chemical compositions of ore body and wasted rock is within the acceptable figures, so the drainage from mine field will not be influenced and Environmental Geology of mine has initial defined as industrial type.

6. RESOURCES ESTIMATION

According to "Manual for Industrial Requirements of Ores" and combined the exact situation in mine, we have drafted the industrial index.

Index subject	Submarginal (%)	Production grade (%)	Thickness of Useful Seam (m)	Thickness of picked Dunn bass (m)	Smaller than useful seam thickness
Country	Mo≥0.02-0.03	Mo≥0.04-0.06	1-2	2-4	Calculated by metre percentage
	Cu≥0.2	Cu≥0.5	≥1.00	≥2.00	
This mine	Mo≥0.02	Mo≥0.06	1.00	2.00	Calculated by metre percentage
	Cu≥0.5	Cu≥0.7			

Table 4 – Industrial Index of Mine

6.1. Selection of Resource

According to the exploratory line and ore stroked to vertical and they are distributed as parallel of each exploration. The combined ore is ribbon or lenticular, its attitude is milder and each mineral arranged as parallel. Therefore, resource should calculate by fault plane method.

The contouring, joint and pinch out of ore

6.2. Contouring

Ore contouring is according to the index of Mo≥O.02%、Cu≥0.5% which mean segment is longer or equal to the thickness of useful seam as 2.0m contouring. When ore and horse is altering, its thickness of ore is smaller the useful seam but the weight average is bigger than production grade of ore and horse, and segment is bigger than the thickness of useful seam, then it should be defined as ore contouring.

6.3. Joint and pinch out of ore

If ore jointed nature form and the grade of one ore is higher than the industrial or bounder grade but the thickness is smaller than useful seam, also if it is same with adjacent section then defined as a completed ore and contouring as ore. If one ore is two adjacent sections, one is inner and one is outer. They jointed with diagonal line, if one mining found ore but another cannot found, also the strata ≥5m. According to mining or exploratory line, pinch out 1/2. If the thickness of strata is ≥5m, then pinch out 1/3 or 1/4.

6.4. The parameter in resource

6.4.1. Rules of particular grade

Handling super high grade is according to the weight average grade of ore block instead of calculating the average grade. If the thickness of sample cannot be picked but the grade is higher, then increase the controlling of sample and calculation of average grade.

6.4.2. Weight

Ore weight is according to Chifeng Jinhaoyuan Geological Technology Ltd's test result, d=3.18-3.21 tons/m^3, selected d=3.18 tons/m^3.

6.4.3. Thickness

Copper-molybdenum in mine is network mineral. Ore strike to vertical with exploratory line. Therefore, the formula of calculation the real ore thickness is m=cosa×L.

6.4.4. Block volume

a) If the adjacent section ore volume is different and smaller than 40%, Calculating by cylinder formula: V=S1+S2/2-L

b) If the adjacent section ore volume is different and bigger than 40%, Calculating by formula of truncated pyramid: V=L/3(S1+S2+S1×S2)

c) If ore is the same with adjacent section but one is industry and one is bounder, then calculating by formula of wedge: V=1/2S×L(inclined wedge formula: V=1/3S.L+1/6S×ac/as)

d) If mining by single section, then calculation by formula of pyramid: V=1/3×S×L

6.5. Rules of block division and classify the Resource

6.5.1. The Rule of classify the Resource

Sample I-V (5 samples) has selected for this calculation of resource. Exploration density is reached 80-100m×40-93m.

This Report has been prepared base on the guideline of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code") incorporating the Joint Ore Reserves Committee ("JORC") Code for the reporting of mineral Resources and Ore Reserves as defined.

6.5.2. Distinction of block division

Block division is according to two exploratory lines to division as one block. Same block has arranged from left to right and above to bottom in orderly.

6.6. Result of resource

Five ore in different size and calculation result of resources have shown in "Total of Resource". The total amount of Mo in mine is 4,631,632.00 tons and its average grade is 0.116%, metal content is 5,356.91 tons. The total amount of Cu in mine is 1,491,024.00 tons and its average grade is 1.265%, metal content is 18,860 tons. Ore body I, its amount of Mo is 2,424,076 tons which is 52.33% of total amount in mine and average grade of Mo is 0.133%, its metal content is 3,229.06 tons which is 60.3% of total amount in mine. Cu mineral in ore body I is 1,417,460.00 tons which is 95.1% of total amount in mine and average grade is 1.26%. Its metal content is 17,860 tons which is 94.7% of total amount in mine. Data has shown in Table 5.

No of Ore Body	Length of Ore body	Thickness of Ore Body	Shape of Ore body	Average Grade of Ore Body		Ore Resources		Metal		Type of Resource Metal Content Indicated		Type of Resource Metal Content Inferred	
	(m)	*(m)*		Mo *(%)*	Cu *(%)*	Mo *(t)*	Cu *(t)*	Mo *(t)*	Cu *(t)*	Mo *(t)*	Cu *(t)*	Mo *(t)*	Cu *(t)*
I	500	21-29	Lenticular	0.133	1.26	2,424,076.00	1,417,460.00	3,229.06	17,860	3,229.06	11,192		6,668
II	530	1-2.66	Lenticular	0.115	1.36	303,372.00	73,564.00	348.88	1,000	348.88			1,000
III	380	2-5	Lenticular	0.099		253,764.00		251.23		251.23			
IV	250	4-10	Lenticular	0.096		1,335,600.00		1,282.18		1,282.18			
V	180	2.25-6.0	Lenticular	0.078		314,820.00		245.56		245.56			
Total				0.116	1.265	4,631,632.00	1,491,024.00	5,356.91	18,860	5,356.91	11,192		7,668

Table 5 – Total of Resource under the classification of JORC Code

7. INFORMATION OF THE PROJECT AREA

7.1. Generalities of the Intrusive Complex

The main mineralized targets on the Property are porphyry copper-molybdenum systems, which are related to the property Intrusive Complex. A total of five porphyry targets have been identified by previous exploration companies. In addition, a weak to moderately developed polymetallic skarn, is hosted within impure limestone and various other carbonate-rich sedimentary units along the western margins of the porphyry.

A system of predominantly east to northeast trending polymetallic veins occur to the west of the skarn near its southern extent hosted within contact metasomatized rocks peripheral to the main copper-molybdenum porphyry system. These veins were exploited in the area and occur on the surface of the property. The veins are not covered in detail in this report.

According to the Resource Report, the Mine is typical vein-type deposit. All orebodies are shown as lenticular shapes and are typically more than 200m long. Orebodies strike approximately 300°-120° with dip angles between 3° and 45°. The hydrogeological conditions in the Mine site are simple.

Based on the conditions above, block cave mining method is adopted to extract ore. Block cave mining is a mass mining method that allows for the bulk mining of large, relatively lower grade orebodies. This method is increasingly being proposed for a number of deposits worldwide, thus the scope for a better understanding of block caving behaviour.

In general terms block cave mining is characterized by caving and extraction of a massive volume of rock which potentially translates into the formation of a surface depression whose morphology depends on the characteristics of the mining, the rock mass, and the topography of the ground surface. Block cave mining can be used on any orebody that is sufficiently massive and fractured; a major challenge at the mine design stage is to predict how specific orebodies will cave depending on the various geometry of the undercut.

Block caving has been applied to large scale extraction of various metals and minerals, sometimes in thick beds of ore but more usually in steep to vertical masses. Examples of block caving operations include Northparkes (Australia), Palabora (South Africa), Questa Mine (New Mexico), Henderson Mine (Colorado) and Freeport (Indonesia).

7.2. Physiography and Geographic Condition

The Property is located at the northern end of the Chifengshi and is underlain by sequence of Mesozoic-aged carbonate and sedimentary rocks. The area has been intensely folded along a north-northwest trending axis and undergone extensive block and normal faulting along both north-northwest and north-northeast directions. These rocks have been intruded by multiple superimposed intrusive phases (the Intrusive Complex) which range in age from Mesozoic to Cenozoic.

According to the geography of Inner Mongolia, flat surfaced hills are located at Great Gobi region, on the altitude of average 1,300-1,500m above sea level. The differences of absolute elevation are 200-300m. The flat surface is formed overtime from erosion processes. The Deposits lie within small hills and lower mountains. The small creeks and valleys in this area are dry and the elevation is 1300-1400m.

7.3. Climate

The Project area is located in a relatively extreme climate condition which is unlike other places in the Inner Mongolian countryside, save that the Project area is slightly warmer. Spring and autumn are dry and warm with strong winds. Winter is relatively long with small amount of snow and summer is relatively short with little rain. Historically, around 70% of the days during the summer period in the Keshi Ketengqi region are hot and no rainfall.

The historical average temperature of Keshi Ketengqi is approximately +5.60°C. Coldest season is usually in January, around -34.5°C while the warmest season is usually in July, around +38.8°C. It normally starts to get cold around the first week of October, but at times, it can start as early as the third week of September. The cold weather can continue to last for up to around 140 days.

Over the recent years, the temperature in Keshi Ketengqi has averaged around +10.30°C. The coldest period is in January, around -39.7°C while the warmest season is in July, around +64.6°C. The colder period normally lies around the middle of September to May, with snow up to 3.2m deep. Comparing the temperature variations between the historical and recent years, the recent years appears to have higher variation area is warmer (yearly average is 8.8).

Depending on the region's location in Inner Mongolia and value of precipitation, maximum aerial moisture is in the winter and summer (January and July) and minimum moisture is in spring and autumn (May and September) and year average moisture is approximately 36–46% showing a dry-condition area. The year-total precipitation is not high 88.7mm. Therefore, the whole area has low precipitation area. With the average wind speed of 3.5-4.0m/s, the exploration area can be classified as a normal weathering area. Wind blows in from west and northwest; with around 26 days of sandy storms in a year and 6 days with snow storms. The year-average wind speed is 3.5m/s. Irregular snow dispersing in the country depends on land's relief. Snowing coverage thickness is divided by the average thickness of decades snowing and average thickness of more thick part.

7.4. Infrastructure

The transportation between Keshi Ketengqi and the Project area is connected by 16km gravel roads. Telecommunication here is modern with telephone stations connecting the provinces. Water supply for the mining process and for consumption can be sourced from three 25-30m deep wells about 1-1.5km away from the Project area.

7.5. Progress of Works

A mining license has already been obtained in accordance with the Minerals Law but Underground mining and partial open pit mining method would be adopted for the exploitation of the Mine. The preliminary works such as survey and design of the Mine can be conducted immediately.

7.6. Geology of Project Area

Permian rhyolite and Monkhor Complex granodiorite, granites and diorites Series metasedimentary rocks underlie the area. These lithology units occur along, and are separated by, the sub-vertical fault. But rhyolites are found on the northwest side of the Monkhor fault whereas the Deposit granite occurs on the southeast side. The granite contains fault bounded xenoliths series metasediment rocks. Exploration to date indicates that the Deposit consists of disseminated and vein style copper molybdenum mineralization in volcanic, granite and metasedimentary rocks in two geographically separate zones.

The zones are located adjacent to the fault lies on the southeast side of the structure whereas the lies on the northwest side approximately 400m to the southwest. The combined length of zones approximately 1.2km and their combined width is at least 300m. A complex assemblage of granite, Monkhor meta-sandstones and less diorite and rhyolite host the zones. The granite is a visible host rock and the meta-sandstones host possible copper molybdenum values at contacts or in narrow structures but mostly they are low grade to barren. Altered granite may have been subjected to catalysis and has a texture that may be massive, fine to medium-grained or brecciated.

Mineralization in the zone was predominately a Younger veins and fine-grained silica alteration are locally superimposed over the disseminated mineralization and carry variable amounts of coarse native gain. The mineralization consists of fine grained bearing copper molybdenum minerals – within younger quartz veins.

7.7. Faults

The fault is the major tectonic structure that controls copper molybdenum mineralization divides essentially barren volcanic rocks from granite that hosts the copper– molybdenum mineralization. The fault strikes consistently at 45°, with no apparent fault displacements, and dips sub vertically to 85° southeast. That fault figures out many direction of group fractures. The northeast and southwest side of the zone area apparently to be cut by many faults. At north part of the zone, the fault takes a more northerly strike suggesting that the zone may lie at an inflection in the fault's regional trend. The fault was identified by comminuted rhyolite gouge, clay and sometimes silica-altered material or breccia ranging from 0.5m to 2m in width.

7.8. Resource Estimation of the Zones

General statement

This audit included review of the level of cutting high grades, variography parameters, and mineral resource classification. Part of the indicated mineral resource was converted to reserves, and the mineral resource reported herein is the remaining resource outside of the open pit. Unless otherwise specified, resources listed below are in addition to mineral reserves. The zones estimated resources of Mo with average 0.116% grade is 5,356.91 tons, and that of Cu with average 1.265% grade is 18,860 tons.

Ore classification

Individual grade boundaries at the Project tend to be well defined, and the main geological interpretation in creating a useable geological model for resource estimation was the delineation of "mineralized zones" to define and limit the volume of copper and molybdenum mineralized material and the drilling sample intervals within these volumes for accurate grade interpolation without grade.

The geometrical of the mineralized zones and constructed contour grade-shells are built up on a series of vertical cross sections and bench plans prior to building up 3D solids. Contour grade-shells representing 1% and 2% copper grade cut-offs, plus an outside shell representing mineralization on the order of a 0.26% copper cut-off, and a wider stockwork shell represent the zone of stockwork alteration that encompasses sporadic zones of mineralization.

Composites value

Scatter plot of assay value versus sample length demonstrates a weak bias toward higher grade samples having shorter sample interval lengths. This bias is expected under sampling procedure protocol, which calls for samples that appear to be mineralized be submitted every one meter and longer intervals can be used for intercepts that do not appear mineralized.

Composite interpolation has been composed from surface to end of holes by 1.58m interval.

Composites were later assigned zone identifiers: 2% Cu shell, 1% Cu grade, Outside Shell, or Stock work Shell. 47% of the sample lengths are greater than the composite length of 1.5m. Although the normal industry practice is to choose a composite length longer than most sample lengths, a length of 1.5m should not materially affect the resource estimate. Composite statistics shown were similar to the assay statistics, on an uncut basis.

Cutting off grade definition

Such outliers must be treated in some manner in order to reduce their influence on the average grade. One way of treating the high assays was to cut or cap them at a specific grade level. Raw assays should be cut, rather than composites, since composites, in general, smooth the high assays by combining them with adjacent lower assays and mask their influence on the average grade. An alternative method for treating high assays is to cut composites rather than assays.

The first step in comparing the results from the two cutting methods is to determine the appropriate cutting level of the original raw assays. In the absence of production data to calibrate the cutting level, inspection of the assay distribution can be used to estimate a "first pass" cutting or capping level. Another consideration in determining cutting levels is whether or not high assays are clustered or are randomly distributed throughout the deposit. Examining the Central Zone raw assays in 3D does not show any clustering of high values.

7.9. Variography

Variograms identified on the composites were controlled by high grade within the mineralized zones. It showed Variograms for down hole, and the three major axes of the interpreted orientation. Parameters for search ellipse orientation, distance, and models. Zone sample data was compared with the results with the grade interpolation parameters employed in developing the resource model. Research distance used has been somewhat longer than the variograms indicated. They recommended that further variography analysis be carried out in the next round of resource estimation.

8. MINING PROGRESS

8.1. Engineering geology

The mine mainly compromised with monzogranite, granite, and full strength of rock with crack of joints is not developed with good integrality which the mining engineering geological conditions define as simple status.

8.2. Inclined shaft

Inclined section of 3.2x2.7m (3 heart arch), with sprayed concrete as support. Safety railing is built to isolate the railing lane and pedestrian roads. Drainage, water supply pipes, pressure duct and other facilities are also built within the shaft.

8.3. Air shaft

The air shaft with sections 3x1.5m, is well equipped with a ladder intercropping exit.

8.4. Land Transportation

Roll-type $0.7m^3$ tub is used for land transport. According to the "Underground mental and non-metal safety regulations", the roadway configuration of monorail transport should be 2.2x2.4m. The support can be in the form of spray anchor, concrete and reinforced concrete, depending on the actual situation. We may support the monorail with 20% of the spray concrete, 10% of concrete and no support for the remaining 70%.

8.5. Drainage system

Drainage system at the middle shaft includes the pump chamber, distribution chamber which is supported by concrete, water storage, pipe road, suction wells, etc. The pump chamber, pipe road and suction wells are supported by pneumatically placed concrete.

8.6. Chamber works

The underground chamber should consist of transformer chamber, locomotive maintenance chamber, maintenance for rock drill chamber and 1t explosive warehouse, etc. Chamber should utilize concrete as a support and prevention for leakage.

8.7. Recommendation

During the construction, attention should be given to the changes in geological and engineering conditions. In case of bad site rock, support should be strengthened immediately to ensure the roadway stability and to prevent falling, floor heave and water inrush phenomenon.

9. PROCESSING

9.1. Flow of Ore Dressing

This is a copper-molybdenum deposit and handling the mixed mineral which is a complicated ore. For drafting the mineral processing and index, we have dressing by the nature of ore which is similar to the production and practice on concentration mill.

The value elements in deposit are mainly copper and molybdenum. Dressing products are concentrating of copper and molybdenum.

The process of crushing and grinding is coarse crushing + fine crushing + ball milling. For drafting the process of dressing the others by referring the similar research with the mixed mineral in this mine.

The dressing process drafted by mixed mineral is crushed the original ore (degree of finely crushed ore is 65% of 200 pieces). Coarse dressing of copper-molybdenum, and transformed to rough concentrate and regained finally, separate copper-molybdenum to copper concentrate and molybdenum concentrate. Details are shown on figure 4.

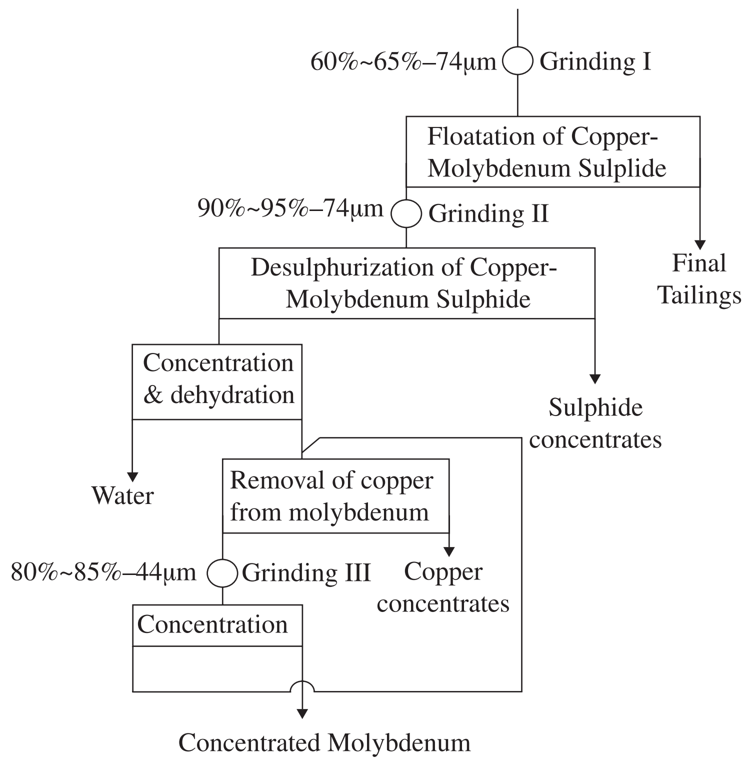


Figure 4 – Dressing Process of Mixed Mineral Flow Chart

9.2. Mineral Resources

The resource estimates are based on two evaluations. The first is based on assay data from early results and preliminary drilling results. The second consists of a re-evaluation of the early data, as well as the results of in-fill drilling program. The resource estimates are based upon the use of both sets of data or both evaluations.

Category	Metal Contents Molybdenum (t)	Copper (t)
Measured Resource	0.00	0.00
Indicated Resource	5,356.91	11,192.00
Inferred Resource	0.00	7,668.00
Total	5,356.91	18,860.00

Table 6.1 – Total Resources of the Mine in the Project under the classification of JORC Code

Group Sampling Analysis

Sample grouping in detailed checking location adopts exploration by length measuring method on section plane by using basic analysis of Samples for further grouping. Weight obtained from single sampling according to the length proportion shall be taken for analysis from duplicate sample. Detailed checking of outside location group analysis in the course of basic analysis shall be done according to layers by layers for group analysis.

External checking and Analysis of Sample

In sample Checking location, base on the basic analysis, take out 30% of the sample total participating in sample resource, the external passing rate is found to be 100%.

Sample testing was done by Refinery Research Laboratory Centre of Chifeng City, Inner Mongolia. Detailed checking location sampling was done Geology Centre Laboratory of Chifeng City, Inner Mongolia. External analysis of sample was done by Inner Mongolia Province Geology Laboratory Research Centre.

10. SOCIAL AND ENVIRONMENTAL ISSUES

The natural resources industry is often faced with significant and mounting social and environmental challenges. Exploitation usually damages a large land surface area, displace people from their ancestral homesteads and cause agricultural losses leading to a number of possible environmental challenges, including soil erosion, mine subsidence, dust, noise and water pollution, and impacts on local biodiversity.

Water utilized in the exploitation process usually ends up being contaminated. These pollutes can have half live of hundreds of years and can have very serious side effects on the ecosystems surrounding the area.

Other major environmental concerns raised by oil-shale mining and processing are land use, waste disposal, water use, greenhouse-gas emissions and air pollution.

10.1. Environmental Management

The General Mining Law of China is the primary body of law with regard to environmental regulation. The General Mining Law is administered by the Ministry of Energy and Mines (hereinafter referred to as "MEM"). Generally, the MEM can require a mining company to prepare an Environmental Evaluation (hereinafter referred to as "EA"), an Environmental Impact Assessment (hereinafter referred to as "EIA"), a Program for Environmental Management and Adjustment (hereinafter referred to as "PAMA"), and a Closure Plan. Mining companies are also subject to annual environmental audits.

The Mine has a valid environmental permit from the Environment Protection Bureau (hereinafter referred to as "EPB") to undertake mining and processing activities at the site. Meanwhile, current exploration licenses enable mining development to proceed at the Mine. Environmental measures that are being implemented, or are planned to be implemented at the new operations, comprise:

- Dust collectors, exhaust fans fitted with filters, water sprays and enclosure of dust generating activity. Personal protection devices (hereinafter referred to as "PPE"), such as face masks, to provide additional personal protection from dust are provided, and their use is strongly encouraged.

- Waste minimization is a necessity because there is no formal system waste collection or designated landfill sites. A Waste Management Plan will be developed. Local re-use opportunities will be identified for construction waste and debris. Hazardous wastes will be stored in secondary containment and transferred to a specialized company.

- Waste rock from underground development is and will continue to be used for slope backfills and construction purposes, in particular for the embankment walls of the tailings storage facilities (hereinafter referred to as "TSF"). All tailings from processing will be stored in the constructed TSFs.

- Construction and noise impacts are expected to be negligible, however the project will meet World Bank Group EHS Guidelines noise limits. Construction will only be performed during daylight, noise levels will be monitored and equipment-related mitigation strategies will be deployed. During operation, noise reduction measures will be incorporated into Power Plant design and monitoring will be performed.

- Traffic impacts during construction include circulation and road safety, particularly related to expected frequent heavy truck movements between the Marine Landing Site and Power Plant site. Community safety measures will include the implementation of a Traffic Safety Plan to identify traffic, parking and pedestrian zones; vehicles inspections; limiting vehicle speeds on public roads; and using safety stewards at crossing points during busy times. Heavy hauls or the transportation of large size loads will be coordinated with local authorities, as applicable.

- Monitoring of water and air quality, noise and waste management is conducted by the EPB at quarterly intervals. To date, the Mine has complied with regulatory requirements.

- Rehabilitation and planting of disturbed areas will be ongoing afterward

- The plan will review what additional targeted assistance and transitional support is needed to restore pre-displacement conditions. It is unclear how significant the scale of the impact is until the scope of other landholdings is known and what proportion of livelihood has been lost.

- Because of the scarcity of available land, making land replacement unlikely, potential options include: improving productivity and added value at the farmers other land holdings; supporting alternative livelihood options; and providing job opportunities on the project itself.

10.2. Pollution Prevention and Abatement

Expected impacts from exploitation activities include emissions to air from flaring and operation of gas engines, as well as potential impacts to the biozone from the routine is charge of wash water. Construction and operation of the Power Plant are expected to have impacts to air, noise, soil, waste and water.

Impacts arising from operation have been assessed, evaluated through modelling and mitigated through project design.

10.3. Monitoring program:

Monitoring will reinforce the design and mitigation measures. A monitoring program will be executed and include:

- Air

- Water

- Waste

- Noise

- Safety

- Resettlement activities

Roles and responsibilities for monitoring of the Project will be shared by the Company and by the Project team. Both parties are responsible for environmental monitoring and auditing. It is expected that the Company will undertake self-monitoring, record keeping and reporting and submit this information annually. The Company will be responsible for review and, on occasion, verification of reports and data submitted and for periodic inspections as needed.

11. RISK ANALYSIS

The following risk analysis follows Guidance Note 7 of the Stock Exchange of Hong Kong.

11.1. Introduction

Risk has been classified from minor to major as follows:

Major Risk: the factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure.

Moderate Risk: the factor, if uncorrected, could have a significant effect (10% to 15%) on the project cash flow and performance unless mitigated by some corrective action.

Minor Risk: the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

The likelihood of a risk event occurring within a nominal 7 years time frame has been considered as:

Likely: will probably occur
Possible: may occur
Unlikely: unlikely to occur

The degree or consequence of a risk and its likelihood are combined into an overall risk assessment.

Likelihood of Risk	**Consequence of Risk**		
(within 7 years)	**Minor**	**Moderate**	**Major**
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

Table 6 – Risk Assessment Guideline

11.2. Project Risk Assessment Table

Risk Issue Likelihood Consequence	Likelihood	Consequence Rating	Risk
Geological			
Unexpected geological structure	Possible	Major	High
Unexpected groundwater condition	Possible	Moderate	Medium
Unexpected gas outburst	Unlikely	Moderate	Low
Discontinuity of mineral ores	Possible	Major	High
Insufficient local geological knowledge	Unlikely	Moderate	Low
Lack of significant resource	Unlikely	Major	Medium
Mining			
Inadequate equipment selection	Possible	Moderate	Medium
Insufficient planning or scheduling	Possible	Moderate	Medium
Low production	Possible	Major	High
Spontaneous combustion	Unlikely	Major	Medium
Economic			
Inflation	Possible	Moderate	Medium
Interest rate changes	Possible	Moderate	Medium
Regulation changes	Possible	Moderate	Medium
Industry disruption	Unlikely	Major	Medium
Demand loss	Possible	Major	High
Low product price	Possible	Major	High
Processing/Handling			
Lower yield	Possible	Moderate	Medium
Lower plant production level	Possible	Moderate	Medium
Plant reliability	Possible	Moderate	Medium
Tailing handling problems	Unlikely	Moderate	Low
Quality of product	Possible	Moderate	Medium
Environmental			
Contamination of local water systems	Possible	Moderate	Medium
Ecology damage	Possible	Minor	Low
Extra costs in environment restoration	Possible	Moderate	Medium
Capital and operating costs			
Project timing delays	Possible	Moderate	Medium
Capital cost increases – startup	Possible	Moderate	Medium
Capital cost increases – ongoing	Unlikely	Minor	Low
Underestimated operation costs	Possible	Moderate	Medium

Risk Issue Likelihood Consequence	Likelihood	Consequence Rating	Risk
Operational Risk			
Failure to achieve projected grades and tonnage	Unlikely	Major	Medium
Underperformance of plant and machinery	Possible	Moderate	Medium
Adverse weather condition	Possible	Minor	Low
Natural Hazard	Possible	Moderate	Medium
Lack of working force	Unlikely	Major	Medium
Spontaneous Combustion	Unlikely	Major	Medium
Poor Development Floor Conditions	Possible	Moderate	Medium

Table 7 – Project Risk Assessment Table

There are five high risk areas identified in the table. They are summarized and ranked by their importance as follows:

- Unexpected geological structure
- Discontinuity of mineral ores
- Low production
- Demand loss
- Low product price

12. CONCLUSION

The major risks considered are associated with the production of the above mineral concentrates. The risk analysis, or risk profile, depicted in the matrix shown in the Report, draws upon information from various sources and assumes that has carried out all of the necessary metallurgical, resource, mining, environmental, and other project evaluations required.

According to the report that ore has very high resources the proposed erection of refinery plant can have production of 12,000 tonnes per annum. A sensitivity analysis undertaken to better understand this issue determined that given the current production rate of 12,000 tonnes per annum, this increases the mine life from 220 years to 250 years which is not considered material in terms of value.

In addition, the reported ore quantities within this statement may change following detailed design of the final pit shell. Our experience is that the optimal pit shells typically produced by Whittle may fully allow for the practicalities of mining and often satisfy the ore resources.

The main reason for the difference between the Geological Resource and the Recoverable Reserves is that the ore excluded is located beyond the pit batters and/or was considered economic to be mined. A check using Datamine software and spreadsheets was completed with the geological model and the final pit shell to confirm the ore resources.

Careful review of past production and reserves can confirm the reasonableness of past resource and reserve estimates, but generally, only close attention is paid to factors such as mining recovery and ore loss during the mining process. As a result, such reconciliation reviews may confirm the accuracy of resources and reserves with respect to future predictions.

It should be also noted that when considering the mining project reserves base, the operating revenues used to help determine this are greatly affected by factors such as variations in operating costs, costs of consumables, variations in metal prices and fluctuating exchange rates. Some of the uncertainties relating to these factors can be mitigated or removed through hedging contracts, forward sales, and long term supply contracts.

In the international Copper and Molybdenum metal markets, supply is very tight due to application of Copper and Molybdenum metal has been increasing and demand for it is great as demand as over than supply. In fact, market price is sometimes lower than the price forecasted by the feasibility study and may lead to possible change in price during the period of construction.

The key infrastructure that the mine relies on includes roads, power and water related infrastructure are all in place and are currently meeting the requirements of the mine. Management has advised that the planned plants will have adequate power and water supplies.

The mine currently sends ore to a number of processing plants using either truck or conveyor. The roads which can be used for transportation of the ore are usually roads in the mountains. Qualified transportation teams are vital. The transport risk is mitigated by the number of different transport options which are available to move the ore.

Based upon the information and conditions specified in the Project is considered to be technically viable and economically robust, and positioned toward the low end of the risk spectrum. There is room for further improvement in the project economics by greater optimization of pit slopes and subsequent reduction of waste, reducing the overall mining cost.

The ore resource estimates, mining and metallurgical process design, and capital and operating costs, are sound and realistic.

Project implementation will include such things as finalising contracts, obtaining environmental, mining, production, and other approvals and/or permits complying with local, provincial and/or federal government requirements. Certain engineering, procurement and other activities can proceed in parallel with these and, once finance is approved, large long-lead items may be ordered.

The largely controllable technical risks associated with the project are low, or acceptable. The highest risk is related to the price of copper & Molybdenum, a market factor. The proposed power supply and mining contracts will reduce overall project risk. Negotiations on the major contracts referred to here are at an advanced stage. Generally, the overall project risk appears to be low by comparison with the returns anticipated.

13. REFERENCE

Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves. The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. December 2004.

Chen G. H., Li D. M., Fang H.Y. Geology assessment Report for the Copper and Molybdenum Mine Located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jinpeng Zhen, Chifeng City, Inner Mongolia. Team 2 of the geological Survey, Jiangxi" 江西有色地質調查二隊". April, 2009.

Geological Mapping of the Copper and Molybdenum Mine Located at Keshi Ketengqi Sanyixiang, Sanyixiang Cun, Jinpeng Zhen, Chifeng City, Inner Mongolia at scale of 1:2000 by 赤峰金浩源地質技術有限責任公司("Chifeng Jinhaoyuan Geological Technology Co., Ltd."). May 12, 2009.

Mine site development plan of the Copper and Molybdenum Mine Located at Keshi Ketengqi Sanyixuabg, Yongsheng Cun, Jinpeng Zhen, Chifeng City, Inner Mongolia at scale of 1:2000 by 內蒙古元博工程設計諮詢有限公司("Inner Mongolia Yuanbo Engineering Design & Consulting Co., Ltd."). November, 2007

14. LIMITING CONDITIONS

ROMA will not be liable for any loss or damage suffered by a third party relying on this report (regardless of the cause of action, whether breach of contract, tort, and negligence).

ROMA will not accept any liability other than its statutory liability to any individual, organization, or company and takes no responsibility for any loss or damage arising from the use of this Report, or information, data, or assumptions contained therein.

15. REMARKS

We confirm that none of ROMA or its directors, staff or sub-consultants who contributed to this Report has any interest in:

- the Company; or
- the Mine.

Yours faithfully,
For and on behalf of
Roma Oil And Mining Associates Limited

Dr. Herman Tso
B.Eng., MBA, PhD, MIMMM, SPEC, CIM,
TMS, BGS, CGS, GEO, CEng, MICE, CPEng,
MIEAust, FCMA, MCIOB, ASCE, CSCE
Director

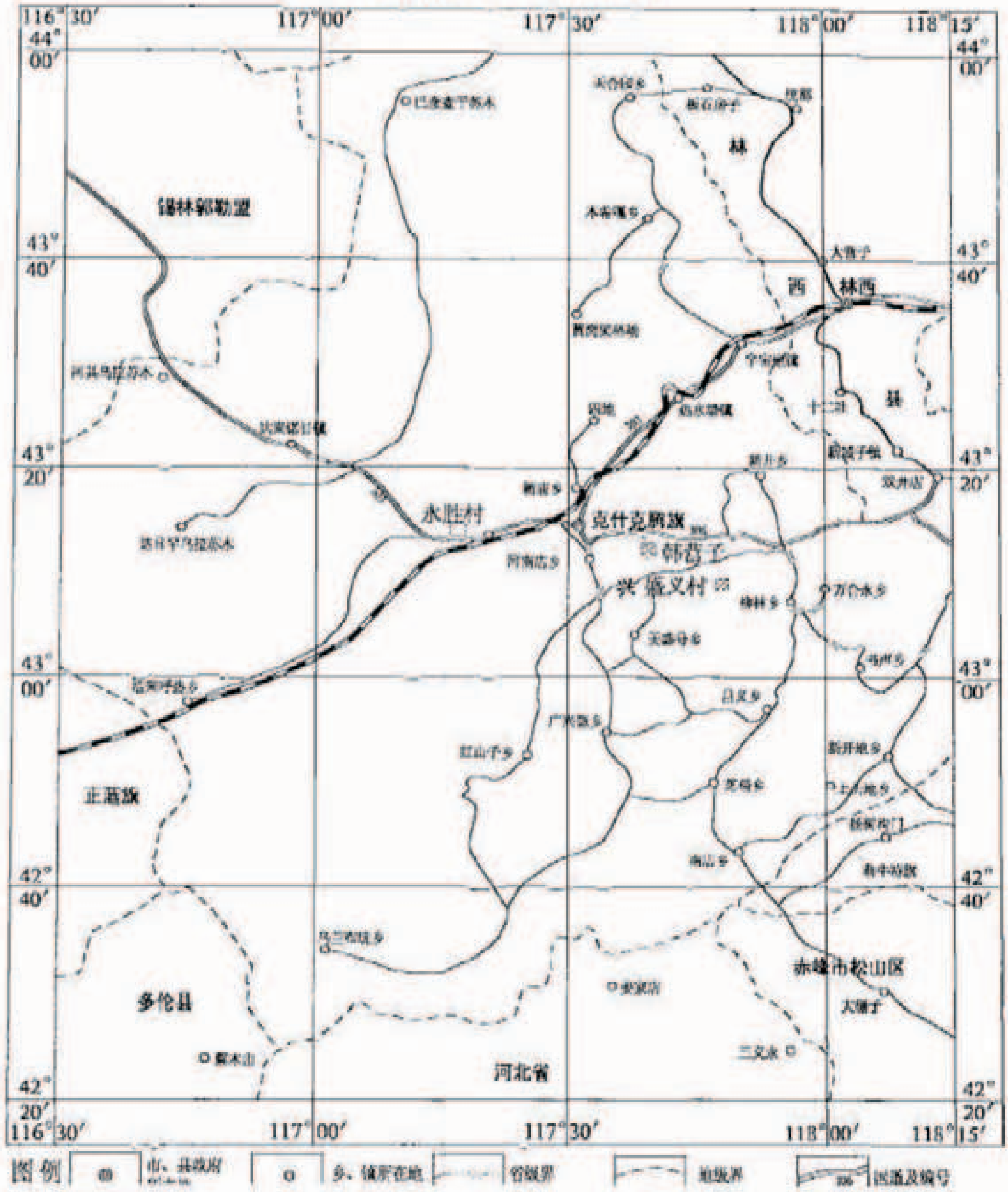
Note: Dr. Herman Tso is a Competent Person under JORC Code and has over 23 years of extensive executive and site experience in civil, geotechnical and mining engineering working with consulting engineers & contractors including in Canada, Hong Kong and PRC. He is the professional member of the Institute of Materials, Minerals & Mining (UK), a board member in the Hong Kong branch of member of the Institute of Materials, Minerals & Mining. He is the professional member of the Canadian Institute of Mining, Metallurgy & Petroleum, the Canadian Geotechnical Society and the British Geotechnical Society. He is also a Chartered Civil Engineer and Chartered Mining Engineer.

APPENDICES

APPENDIX A: MINE FIELD TRANSPORTATION PLAN

交 通 位 置 图

比例尺1: 1940300



APPENDIX B: MINE PERMITS

中华人民共和国

采 矿 许 可 证

（正本）

证号：1500000820591

采矿权人：克什克腾旗大地矿业有限责任公司

地　　址：克什克腾旗经棚镇

矿山名称：克什克腾旗大地矿业有限责任公司[illegible]矿区铜、铅、锌、银矿

经济类型：有限责任公司

有效期限：叁年 自 2008年11月26日 至 2011年11月26日

开采矿种：铜矿、铅、铅锌银

开采方式：地下开采

生产规模：9.00万吨/年

矿区面积：1.7259平方公里

矿区范围：（见副本）

发证机关

（采矿登记专用章）

二〇〇八 年 十一 月 二十六 日

中华人民共和国国土资源部印制

中华人民共和国

采 矿 许 可 证

（副本）

证号：1500000820591

采矿权人：克什克腾旗大地矿业有限责任公司

地　　址：克什克腾旗经棚镇

矿山名称：克什克腾旗大地矿业有限责任公司[illegible]矿区铜、铅、锌、银矿

经济类型：有限责任公司

开采矿种：铜矿、铅、铅锌银

开采方式：地下开采

生产规模：9.00万吨/年

矿区面积：1.7259平方公里

有效期限：叁年 自 2008年11月26日 至 2011年11月26日

发证机关

（采矿登记专用章）

二〇〇八 年 月 日

中华人民共和国国土资源部印制

矿区范围拐点坐标：

1. [illegible]
2. [illegible]
3. [illegible]
4. [illegible]

[illegible]

开采深度：[illegible]

APPENDIX C: CORPERATE BUSINESS LICENSE

企业法人营业执照

注册号 150425000001976

名　称　克什克腾旗大地矿业有限责任公司

住　所　克什克腾旗经棚镇解放路（原乡镇企业局办公楼）

法定代表人姓名　许银

注册资本　人民币：壹仟万元整

实收资本　人民币：壹仟万元整

公司类型　有限责任公司（自然人投资或控股）

经营范围　有色金属、贵重金属、黑色金属、非金属采选、加工、销售，地质勘探，工程爆破（国家法律、法规及国务院决定应经审批的未获审批前不得生产经营）。（法律、行政法规、国务院决定规定应经许可的，未获许可不得生产经营）

成立日期　2006年08月23日

营业期限　2006年08月23日　至 2016年08月22日

二零一零　年　月　日

企业法人营业执照

（副本）

注册号150425000001976　(1-1)

名　称　克什克腾旗大地矿业有限责任公司

住　所　克什克腾旗经棚镇解放路（原乡镇企业局办公楼）

法定代表人姓名　许银

注册资本　人民币：壹仟万元整

实收资本　人民币：壹仟万元整

公司类型　有限责任公司（自然人投资或控股）

经营范围　有色金属、贵重金属、黑色金属、非金属采选、加工、销售，地质勘探，工程爆破（国家法律、法规及国务院决定应经审批的未获审批前不得生产经营）。（法律、行政法规、国务院决定规定应经许可的，未获许可不得生产经营）

成立日期　2006年08月23日

营业期限　自 2006年08月23日　至 2016年08月22日

二零一零　年　月五　日

须知

年度检验情况

APPENDIX D: LAB REPORTS TO VERIFYING THE GRADES OF MINERAL

内蒙古赤峰地质矿产勘查开发院实验室

检 验 报 告

2007.5.16收

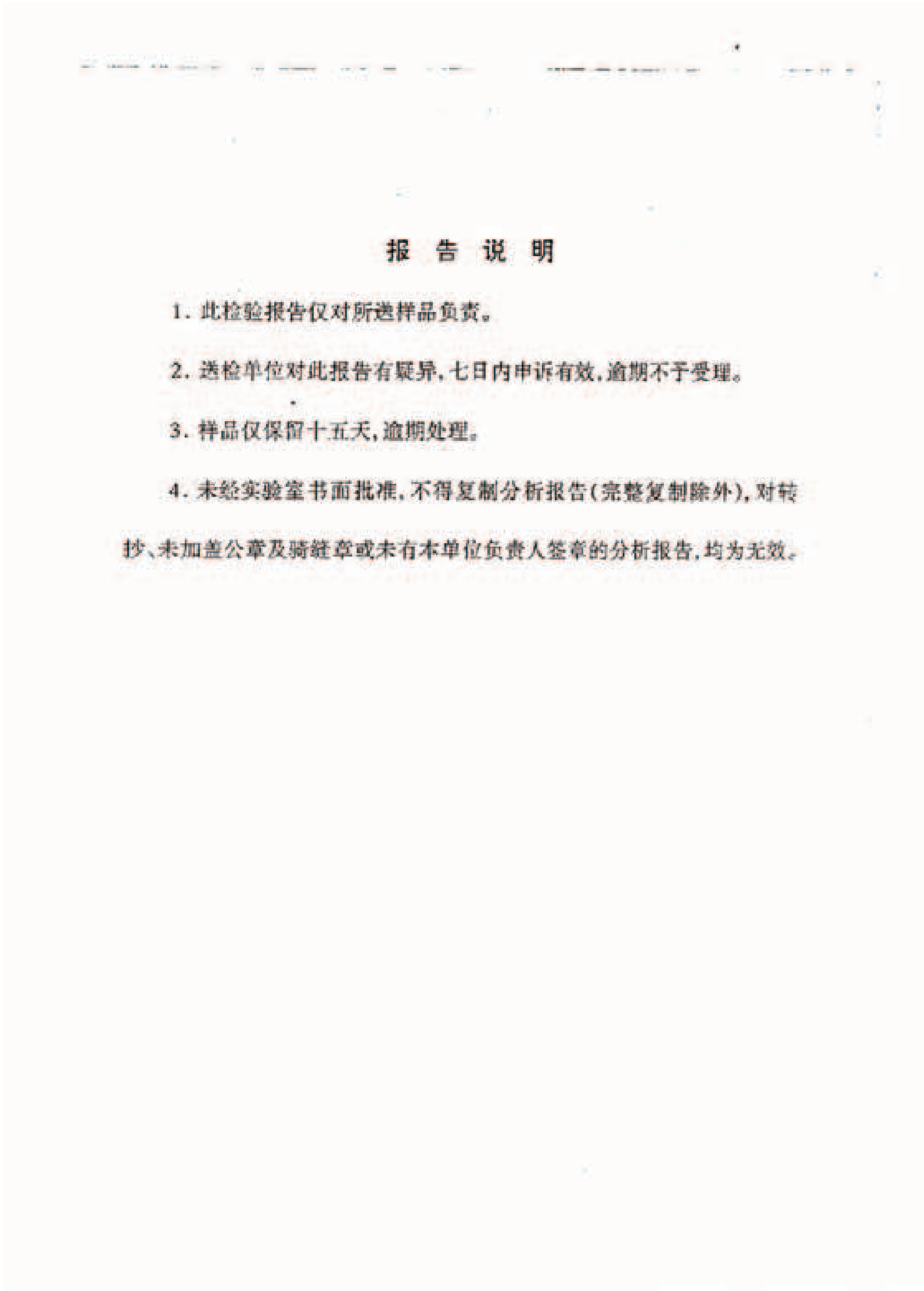
送检单位：[illegible]　　　　共 7 页第 1 页

产品名称	钼矿	试样状态	固态
试样数量	133件	试样编号	KD9868－KD10000
检验类别	委托检验	检验依据	DZG93-01～12
检验项目	Mo		

主要检验仪器	名称	比色计	检验环境	温度	28℃
	型号	723		湿度	48%
	编号	S-08			

检 验 报 告

化验编号	原样编号	$w(Mo)/10^{-2}$	化验编号	原样编号	$w(Mo)/10^{-2}$
KD9868	H003-1	0.00	KD9883	H003-16	0.00
69	2	0.00	84	17	0.00
70	3	0.01	85	18	0.10
71	4	0.00	86	19	0.00
72	5	0.00	87	20	0.01
73	6	0.00	88	21	0.02
74	7	0.00	89	22	0.00
75	8	0.01	90	23	0.01
76	9	0.02	91	24	0.22
77	10	0.00	92	25	0.01
78	11	0.00	93	26	0.01
79	12	0.00	94	27	0.07
80	13	0.01	95	28	0.12
81	14	0.01	96	29	0.11
82	15	0.01	97	30	0.18
制表 校对	[illegible]	技术负责	[illegible]	主任	[illegible]


报 告 说 明

1. 此检验报告仅对所送样品负责。

2. 送检单位对此报告有疑异，七日内申诉有效，逾期不予受理。

3. 样品仅保留十五天，逾期处理。

4. 未经实验室书面批准，不得复制分析报告（完整复制除外），对转抄、未加盖公章及骑缝章或未有本单位负责人签章的分析报告，均为无效。

内蒙古赤峰地质矿产勘查开发院实验室

检 验 报 告

2007.5.16收

送检单位：[illegible]　　共 7 页第 1 页

产品名称	钼矿	试样状态	固态
试样数量	133件	试样编号	KD9868－KD10000
检验类别	委托检验	检验依据	DZG93-01~12
检验项目	Mo		

主要检验仪器	名称	分光计	检验环境	温度	28℃
	型号	723			
	编号	5-08		湿度	48%

检 验 报 告

化验编号	原样编号	$w(Mo)/10^{-2}$	化验编号	原样编号	$w(Mo)/10^{-2}$
KD9868	H003-1	0.00	KD9883	H003-16	0.00
69	2	0.00	84	17	0.00
70	3	0.01	85	18	0.10
71	4	0.00	86	19	0.00
72	5	0.00	87	20	0.01
73	6	0.00	88	21	0.02
74	7	0.00	89	22	0.00
75	8	0.01	90	23	0.01
76	9	0.02	91	24	0.22
77	10	0.00	92	25	0.01
78	11	0.00	93	26	0.01
79	12	0.00	94	27	0.07
80	13	0.01	95	28	0.12
81	14	0.01	96	29	0.11
82	15	0.01	97	30	0.18
制表 校对	[illegible]	技术负责	[illegible]	主任	[illegible]

CMA

检 验 报 告

第 2 页共 7 页

化验编号	原样编号	$w(Mo)/10^{-2}$			
KD9898	H003-31	0.20			
99	32	0.11			
9900	33	0.38			
01	34	0.24			
02	35	0.15			
03	36	0.11			
04	37	0.01			
05	38	0.00			
06	39	0.02			
07	40	0.01			
08	41	0.01			

制表 校对	[signature]	技术负责	[signature]	主任	[signature]

检验报告

第 5 页共 7 页

化验编号	原样编号	$w(Mo)/10^{-2}$	化验编号	原样编号	$w(Mo)/10^{-2}$
KD9941	H303-1	0.01	KD9961	H303-21	0.15
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43	3	0.01	63	23	0.12
44	4	0.10	64	24	0.08
45	5	0.05	65	25	0.06
46	6	0.01	66	26	0.01
47	7	0.01	67	27	0.02
48	8	0.01	68	28	0.02
49	9	0.00	69	29	0.02
50	10	0.00	70	30	0.26
51	11	0.01	71	31	0.02
52	12	0.01	72	32	0.30
53	13	0.00	73	33	0.04
54	14	0.01	74	34	0.02
55	15	0.01	75	35	0.03
56	16	0.10	76	36	0.01
57	17	0.26	以下空白		
58	18	0.10			
59	19	0.12			
60	20	0.18			
制表 校对	[illegible]	技术负责	[illegible]	主任	[illegible]

CMA

检 验 报 告

第 6 页共 7 页

化验编号	原样编号	$w(Mo)/10^{-2}$			
KD9977	H302-1	0.02			
78	2	0.02			
79	3	0.16			
80	4	0.28			
81	5	0.25			
82	6	0.30			
83	7	0.16			
84	8	0.20			
85	9	0.20			
86	10	0.18			
87	11	0.27			
88	12	0.12			
89	13	0.31			
90	14	0.14			
91	15	0.02			

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制表 校对		技术负责		主任	

检 验 报 告

第 7 页共 7 页

化验编号	原样编号	$w(Mo)/10^{-2}$			
KD9992	ZK302-16	0.01			
93	17	0.02			
94	18	0.08			
95	19	0.08			
96	20	0.07			
97	21	0.02			
98	22	0.02			
99	23	0.18			
KD10000	24	0.02			
		以下空白			
制表 校对		技术负责		主任	

The following is the text of a letter prepared for the purpose of incorporation in this circular received from ROMA Appraisals Limited, an independent valuer, in connection with its valuation as at 31 March 2010 of the market value of 100% equity interest in the Mining Company to be acquired by the Company.

Unit 3806, 38/F, China Resources Building
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@roma-international.com
http://www.roma-international.com

24 August 2010

China Properties Investment Holdings Limited
Rm. 2001, 20/F,
Lippo Centre Tower Two,
89 Queensway Road,
Admiralty,
Hong Kong

Case Ref: KY/BV312/APR10

Dear Sir/Madam,

Re: The 100% equity interest in 克什克騰旗大地礦業有限責任公司 (Keshi Ketengqi Great Land Mine Industries Company Limited)

In accordance with the instructions from China Properties Investment Holdings Limited (hereinafter referred to as the "Company"), we have performed the valuation of the 100% equity interest in 克什克騰旗大地礦業有限責任公司 (Keshi Ketengqi Great Land Mine Industries Company Limited) (hereinafter referred to as the "Business Enterprise"), which operates the Copper and Molybdenum Mine located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the People's Republic of China (hereinafter referred to as the "Mine") as at 31 March 2010 (hereinafter referred to as the "Date of Valuation").

This report states the purpose and basis of valuation, scope of work, economic and industry overview, an overview of the Business Enterprise, major assumptions, valuation methodology and limiting conditions, and presents our opinion of value.

This report has been prepared in accordance with the guidelines set by the Code for the Technical Assessment and Valuation Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN") established by the VALMIN Committee in Australia.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the main board of the Hong Kong Stock Exchange. In addition, Roma Appraisals Limited ("Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Mine and/or its representative (together referred as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the copper and molybdenum mining industry in China, the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

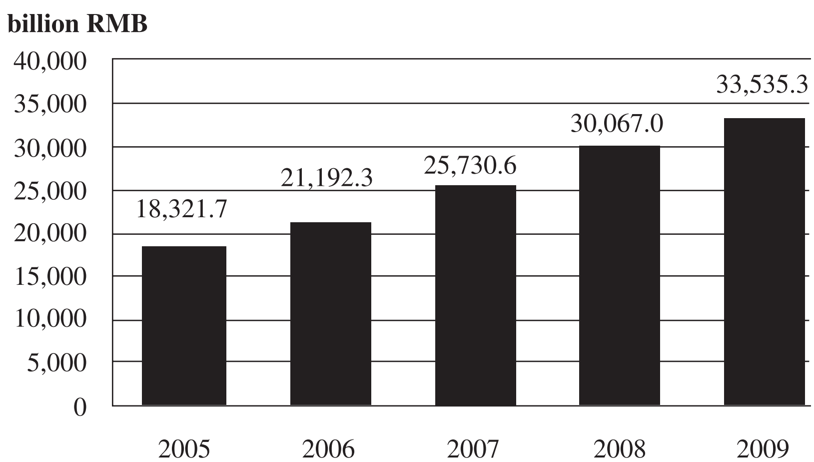
3.1 Overview of the Economy in China

China is the third largest economy in the world in terms of nominal Gross Domestic Product ("GDP") measured in 2009. The overall economy is supported by the government through spending in infrastructure and policies to revive investment in the housing sector. According to the National Bureau of Statistics of China, the GDP real growth rate for 2009 was 8.7%, ranking fifth in the world.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports for the GDP growth in the future.

Over the past decade from 1999 to 2009, China's growth in real GDP had achieved a compound annual growth rate of 14.15% on average. The recorded nominal GDP in 2009 was RMB33,535 billion, an 8.7% growth over the previous year. Figure 1 further illustrates the GDP and its growth from 2004 to 2009 in China.

Figure 1 – China's Gross Domestic Product 2004-2009



Source: National Bureau of Statistics of China

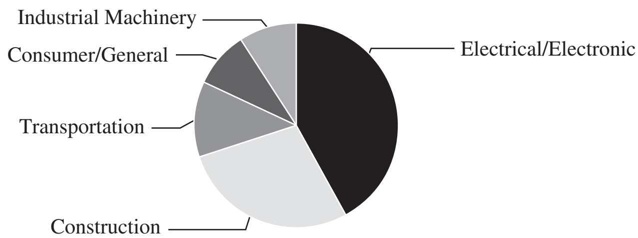
4. INDUSTRY OVERVIEW

4.1 Copper Market Overview

Copper was one of the materials that human beings started extracting on earth which gave rise to the Bronze Age. Its usage has been increasing alongside with the advancement of technology. Copper is easily stretched, molded, and shaped; is resistant to corrosion; and conducts heat and electricity efficiently. As a result, there are a number of applications involving the use of copper including industrial, electrical and transportation.

Since copper is an excellent conductor of electricity, the production of cable, wire and electrical products for both the electrical and building industries accounts for its major usage, sharing 42% of total industrial consumption. The construction industry, whose applications of copper include pipes for plumbing, heating and ventilating as well as building wire and sheet metal facings, ranks the second largest in terms of industrial usage. Figure 2 shows the share of global industrial consumption of copper by different industries.

Figure 2 – World Industrial Consumption of Copper



Industry	%
Electrical	42
Building	28
Transport	12
Consumer Products	9
Industrial Machinery	9
Total	100

Source: Standard CIB Global Research

4.1.1 Copper Demand, Production and Price

According to the International Copper Study Group ("ICSG"), a surplus of about 580,000 tonnes in the refined copper market balance for 2010 is estimated as growth in copper supply is expected to exceed the projected weak growth in industrial copper demand.

The global economic crisis in late 2008 reduced world refined copper consumption significantly. There exist uncertainties in copper consumption in the year 2010 due to a severe recession in 2008 and 2009 experienced by a number of major copper consuming regions.

While actual industrial demand in 2010 is expected to increase in all of the major consuming regions, copper market is expected to decline slightly from the 2009 level owing to lower apparent Chinese demand. A forecast on mine production, refined production and copper usage by the ICSG is listed below.

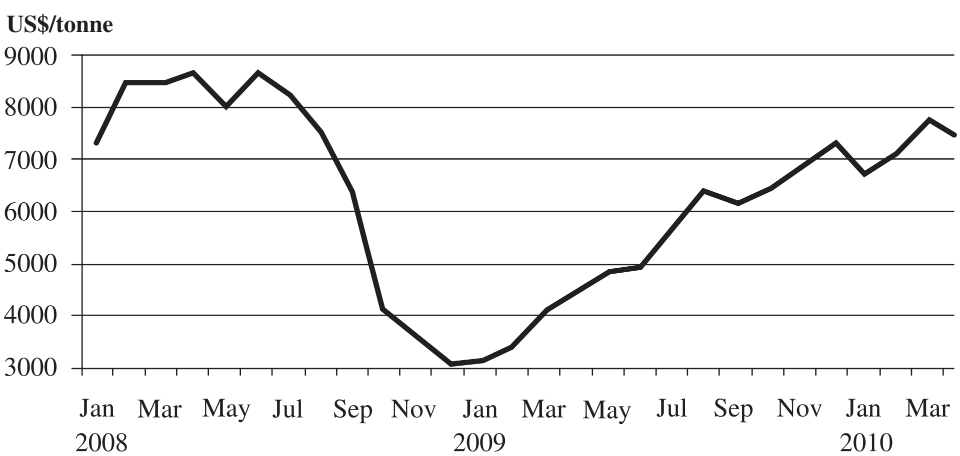
Figure 3 – Forecast of Mine Production, Refined Production and Usage of Copper

	2009	**2010**	**2011**
	('000 tonnes)	*('000 tonnes)*	*('000 tonnes)*
Mine Production	15,756	16,805	17,301
Refined Production	18,401	18,515	19,094
Copper Usage	18,206	17,937	18,851

Source: 'Forecast 2010-2011', International Copper Study Group

Copper spot price from the London Metal Exchange ("LME") from January 2008 to March 2010 is depicted in figure 4.

Figure 4 – LME Copper Spot Price from January 2008 to March 2010



Source: Bloomberg

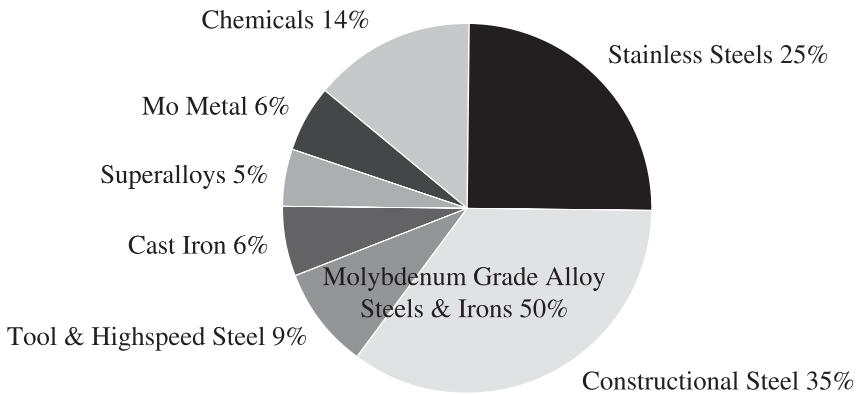
4.2 Molybdenum Market Overview

Molybdenum is commonly used as an alloying agent in stainless steel. When molybdenum is added to steel and cast irons, it enhances strength, hardenability, weldability, toughness, elevated temperature strength, and corrosion resistance of the alloys.

Industrially, molybdenum compounds are used in high pressure and high temperature applications, as pigments and catalysts. It is also used to manufacture aircraft parts and industrial motors.

According to the statistics of the International Molybdenum Association, about 25% of molybdenum produced is used to make molybdenum grade stainless steel. Constructional steel, tool and high speed steel and cast iron together consume approximately 50%. The remaining 25% is used in upgraded products like lubricant grade molybdenum disulfide, molybdenum chemical compounds and molybdenum metal. Figure 5 exhibits the uses of molybdenum by different sectors.

Figure 5 – Applications of Molybdenum



Source: International Molybdenum Association

4.2.1 Molybdenum Market Trends

In 2009, molybdenum consumption is estimated to have declined by as much as 9%, as end-users curtailed their requirements. Although there has been a global decline in consumption level, emerging markets such as China have seen demand continue to increase in 2009. Chinese consumption is estimated to have risen by around 5% in 2009.

Stainless steel production, which accounts for around 25% of all molybdenum consumption as previously mentioned, has declined sharply over the last two years. In 2009, global mined molybdenum output is estimated to have declined by 12%, following the annual average growth of approximately 5% for the period 2000 to 2008.

According to Roskill Information Services Limited, through 2010 and 2011, market volatility is likely to continue but thereafter consumer demand for molybdenum in steel for process and power plant, as well as in oil and gas projects, will keep the market tight.

The LME commenced futures trading of molybdenum as part of its move to list minor metals on its exchange in late February 2010. The average price of 3-month future is approximately US$38,800 per tonne.

4.3 Regulations Governing the Exploitation of Mineral Resources

The exploitation of mineral resources is heavily regulated by the Chinese Government. According to the 'Mineral Resources Law of the People's Republic of China' by the Standing Committee of the National People's Congress and the 'Rules for Implementation of the Mineral Resources Law of the People's Republic of China' by the State Council, all mineral resources in the country are state-owned. Any individual party who plans to engage in activities relating to the exploitation of mineral resources must meet certain qualifications and have the respective licenses granted from the relevant authorities of China. The mining licensing and the exploitation activities are subject to annual inspection.

In accordance to the 'Regulations for Transferring Exploration and Mining Rights', the mining right can be transferred only when the holding interests in the mining right is changed due to mergers and acquisitions, spin-offs, joint ventures with other parties, or change in ownership of assets.

5. THE BUSINESS ENTERPRISE

The Business Enterprise was incorporated in China on 23 August 2006 with limited liability. It holds the mining license of the Mine and has no other material assets as in June 2009.

5.1 The Mine

The Mine is located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, China. It is 20km and 65km away from Keshi Ketengqi Jingpeng Town and Chifeng City respectively and is easily accessed by two national highways.

The Mine has an aggregate mining area of 1.7259km^2. Elevations of the Mine are between 1,330m and 1,521m above sea level. Local population is sparsely distributed while the labour force is affluent. Water and electricity supply is sufficient for the need of the mining operations.

5.2 Chifeng City, Inner Mongolia

Chifeng City is a southeast city in Inner Mongolia Autonomous Region. The city has a total area of 90,000km^2 with a population of approximately 4,600,000. Various ethnic groups including Mongolia, Han and Hui, are currently residing in this city.

According to the government's information, Chifeng has a vast territory and a wide variety of resources and products. More than 70 kinds of mineral resources have been discovered in 1000 mines, covering gold, non-ferrous metals, energy and other non-metallic mineral types. The agricultural and livestock sectors in the city are also vibrant, having dominant crops of corn, rice, millet, buckwheat, Chinese herbs, and so on. The raising livestock is over 14 million all over the municipality.

5.3 Resource Estimates

According to the information provided by the Company, the Mine comprises five ore bodies where contain resources of copper and molybdenum and are listed below:

Ore Body	**Ore Resources (tonnes)**		**Metal (tonnes)**	
	Molybdenum	**Copper**	**Molybdenum**	**Copper**
I	2,424,076	1,417,460	3,229	17,860
II	303,372	73,564	349	1,000
III	253,764	–	251	–
IV	1,335,600	–	1,282	–
V	314,820	–	246	–
Total	**4,631,632**	**1,491,024**	**5,357**	**18,860**

Apart from copper and molybdenum, the ore bodies contain other minerals, such as iron, lead, zinc, etc., which would have some values.

6. BASIS OF VALUATION

Our valuation is based on going concern premise and conducted on a market value basis. Market value is defined as "the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the copper and molybdenum mining industry in China and several countries in Asia-Pacific, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the copper and molybdenum mining industry from external public sources as we considered necessary for the purpose of the valuation. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and had considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise;
- The financial condition of the Business Enterprise;
- The economic outlook in general and the specific economic environment and market elements affecting the mining operation, industry and market;
- Relevant licenses and agreements;
- The business risk of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Business Enterprise, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities in companies that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

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

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing the Business Enterprise, we have taken into account of the uniqueness of its operation and the industry it is participating. The Market-Based Approach is not adopted because there has been significant fluctuation in metal prices over the past two years. The Asset-Based Approach is not adopted because it cannot reflect the market value of the Business Enterprise. We have therefore considered the adoption of Income-Based Approach in arriving at the market value of the Business Enterprise.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow (DCF) method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected cash flows for each year were determined as follows:

Expected cash flow = Net Profit + Depreciation + After-tax Finance Costs – Change in Working Capital – Capital Expenditure

The number of years was determined by the annual rates of ore production until all the indicated resources of the Mine had been exploited.

The present value of the expected cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which
PVCF = Present value of the expected cash flow;
CF = Expected cash flow;
r = Discount rate; and
n = Number of years.

To adopt this method, we obtained the weighted average cost of capital ("WACC") for the company as a basic discount rate. WACC of the Business Enterprise is the minimum required return that the Business Enterprise must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

In which
R_e *= Cost of equity;*
R_d *= Cost of debt;*
W_e *= Weight of equity value to enterprise value;*
W_d *= Weight of debt value to enterprise value; and*
T_c *= Corporate tax rate.*

8.4.2 Cost of Debt

The cost of debt was determined by the expected lending rate of the Business Enterprise. Since the interest expenses paid on debts are tax-deductible for the Business Enterprise, the cost of the Business Enterprise to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.4.3 Cost of Equity

The cost of equity was calculated by the following formula:

$R_e = R_f + ß \times$ Market Risk Premium + Other Risk Premium

In which
R_e = Cost of equity;
R_f = Risk-free rate; and
ß = Beta coefficient.

The risk-free rate, market expected return and the betas of the comparable companies were obtained from Bloomberg as at the Date of Valuation.

The risk-free rate of 2.82% adopted was the yield rate of Hong Kong 10-year generic government bond. The market expected return of Hong Kong was 16.61% from Bloomberg as at the Date of Valuation and the market risk premium was calculated by market expected return minus the risk-free rate, arriving 13.79%.

The beta coefficient measures the risk of the project relative to the market. Since the mining operation of the Business Enterprise is yet to commence, we estimated the beta coefficient of 0.87 by taking the average of the beta coefficients of listed companies which their operations are similar to the Business Enterprise. The comparable companies include Sichuan Western Resources Holding Co. Ltd. (Stock Code: 600139.CH), Western Mining Co., Ltd. (Stock Code: 601168.CH), China Molybdenum Co. Ltd. (Stock Code: 3993.HK), and Jinduicheng Molybdenum Co., Ltd. (Stock Code: 601958.CH). In addition, a country risk premium of 0.45% which is the difference between the country risk premiums of China and Hong Kong was added as the other risk premium, hence we arrived at 15.28% of cost of equity.

The debt-to-equity ratio of 14.08% was estimated by taking the average of the debt-to-equity ratios of the comparable companies. We have adopted the cost of debt of 3.33% which was determined by the China Household saving Deposit 3 Year Rate extracted from Bloomberg. With the corporate tax rate of China of 25.00%, the after-tax cost of debt was calculated as 2.50%.

Accounting for the above items, we concluded the discount rate of 13.71% as at the Date of Valuation.

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. Hence, a marketability discount of 30% has been considered in arriving at our opinion of value of the Business Enterprise with reference to "Why Is the Value of Minority Stock Discounted So Heavily", by Phil Williams and John Linder for LarsonAllen. In addition, as we are considering the value of the Business Enterprise from the perspective of controlling interest, a control premium of 30% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to "Why Is the Value of Minority Stock Discounted So Heavily", by Phil Williams and John Linder for LarsonAllen.

8.4.4 Sensitivity Analysis

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of the Business Enterprise in respect of 1% and 2% deviation in the discount rate and growth rates from the status quo. The results of the sensitivity analysis were as follows (market values in the table are in RMB'000):

		Discount Rate				
		11.71%	**12.71%**	**13.71%**	**14.71%**	**15.71%**
Percentage Change of Growth Rates	**-2.00%**	689,805	638,840	592,979	551,599	514,164
	-1.00%	776,086	716,876	663,742	615,930	572,793
	0.00%	870,396	802,026	740,821	685,881	636,434
	+1.00%	973,582	895,030	824,866	762,023	705,589
	+2.00%	1,086,581	996,708	916,594	844,987	780,813

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The production capacity could be successfully increased from 500 tonnes per day to 900 tonnes per day in year 2014;
- The production will commence in 2012 and operate for approximately 17 years until 2028, where all the indicated resources of the Mine will be exploited.
- The Business Enterprise have free and uninterrupted rights to operate the Mine throughout the period until all resources of the Mine is fully exploited and subject to no land premium or any payment to the government of substantial amount;
- The Business Enterprise are entitled to dispose of, transfer and assign freely the interests in the Mine for the whole of the unexpired terms as granted without payment of any premium to the governments;
- The Business Enterprise can be freely disposed of and transferred free from all encumbrances for its existing or approved uses in the market to purchasers;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Mine operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operation and development;
- The Business Enterprise will successfully develop the Mine as planned;

- The Business Enterprise has adopted reasonable and necessary security measures and has considered contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of serious statutory mining safety measures, geologic formation structurally deformed and other types of unexpected accident or natural disasters of catastrophes) to the scheduled mining operations;

- There exist reliable and adequate transportation network and capacity for the mining products;

- Economic conditions will not deviate significantly from forecasts;

- There will be no major changes in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailed.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors and information affecting the market value of the Business Enterprise. The factors and information considered included, but were not necessarily limited to, the following:

- The feasibility study and technical report prepared by Dr. Herman Tso for Roma Oil & Mining Associates Limited on 9 August 2010 for the Mine;

- Copies of the exploitation licenses for the Mine;

- Financial statements, financial forecast and historical information of the Business Enterprise;

- Market trends of the copper and molybdenum industry;

- Registrations and legal documents related to the Mine;

- General descriptions in relation to the Mine; and

- Economic outlook in Inner Mongolia, China and worldwide.

We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We had assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion.

11. LIMITING CONDITIONS

The valuation reflects the facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management and the technical report in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

12. REFERENCES

The list of sources of information cited in this report is stated as follows:

- China Economic Information Net;
- National Bureau of Statistics of China;
- Standard CIB Global Research;
- International Copper Study Group;
- International Molybdenum Association;
- London Metal Exchange;
- Ministry of Land and Resources of the People's Republic of China; and
- Bloomberg.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company and its holding companies, Business Enterprise and its subsidiaries and associated companies, or the values reported herein.

14. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest of the Business Enterprise as at the Date of Valuation, in our opinion, is reasonably stated as **RMB740,821,000 (RENMINBI SEVEN HUNDRED FORTY MILLION EIGHT HUNDRED AND TWENTY ONE THOUSAND ONLY).**

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Peer reviewed by

Dr. Herman Tso
B.Eng., MBA, PhD, MIMMM, SPEC, CIM, TMS, BGS, CGS, GEO, CEng, MICE, CPEng, MIEAust, FCMA, MCIOB, ASCE, CSCE
Director

Kelvin Luk
CIM
Director

Note:

Dr. Herman Tso has over 23 years of extensive executive and site experience in civil, geotechnical and mining engineering working with consulting engineers and contractors in places such as Canada, Hong Kong and China. He is the professional member of the Institute of Materials, Minerals and Mining (UK), a board member in the Hong Kong branch of the Institute of Materials, Minerals and Mining. He is the professional member of the Canadian Institute of Mining, Metallurgy and Petroleum, the Canadian Geotechnical Society and the British Geotechnical Society. He is also a Chartered Civil Engineer and Chartered Mining Engineer.

Mr. Kelvin Luk is a member of the Canadian Institute of Mining, Metallurgy and Petroleum. He has over 5 years of experience in valuation and consultation related to similar assets or companies engaged in similar business activities worldwide as that of the Business Enterprise.

Statement of qualification of the competent evaluator – Dr. Herman Tso

I, Herman Tso, hereby confirm that:

- I have carried out the assignment for Roma Appraisals Limited, located at:

  Unit 3806, 38/F, China Resources Building,
  26 Harbour Road, Wan Chai, Hong Kong

  Tel: (852) 2529 6878
  Fax: (852) 2529 6808
  Email: hermantso@roma-international.com

- I graduated with a Bachelor's degree in Civil Engineering (B. Eng.) from Lakehead University, Canada in 1990, a Master of Business Administration (MBA) from California Southern University, U. S. A. in 1998, and a Doctor's degree in Civil Engineering (Ph. D.) from Stamford Hill University, U. S. A. in 2002. Stamford Hill University ceased operation in 2004 due to lack of financial support.

- I am a professional member of the Institute of Materials, Minerals and Mining (UK), a board member in the Hong Kong branch of the Institute of Materials, Minerals & Mining.

- I am a professional member of the Canadian Institute of Mining, Metallurgy and Petroleum, the Canadian Geotechnical Society and the British Geotechnical Society.

- I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understand the definitions of "competent person" and "competent evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "competent person" as well as a "competent evaluator" as set out in the listing rules for the purpose of the valuation report.

- I am the primary author responsible for the preparation and compilation of the valuation report, with Mr. Kelvin Luk facilitating.

- I have neither present nor prospective interests in the Project, the Company or the values reported herein.

- I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.

- The valuation report has been prepared consistent with the guidelines set by the Code for the Technical Assessment and Valuation Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN") established by the VALMIN Committee in Australia.

Recent track records of mining and oil projects (from 1987 to 2010):

1. Coal mine – Involved technical analysis study and valuation on project on ground control innovation in Guaizhou coal field, China

2. Coal field – Responsible for numerical analysis for the prediction of ground deformation and failure around the underground excavation for collieries of Datong, China

3. Gold & silver mine – Mapping of cracks and seepage inside the ventilation shaft in Rogers Pass, British Columbia, Canada

4. Gold mine – Prepared technical assessment and valuation mineral assets reports, covering assessment, as-built plan & section & testing records in DeWinton, Alberta, Canada

5. Gold mine – Mine site investigation, supervising of data collection, management and modeling sampling in SNAP Lake, Yellowknife, Canada

6. Copper mine – Carried out extensive numerical modeling for underground cut and cover excavation swallow tunnel in Lupin and Colomac, Northwest Territories, Canada

7. Iron mine – Packer, thermistor and piezometer installation for the geotechnical evaluation of mine sites proposal in Ponoka, Alberta, Canada

8. Oil sand – Site investigation studies and analyses of sites instrumented of data collection, resource/reserve, estimation and reconciliation in Syncrude, Ontario, Canada

9. Iron mine – Designed in association with sublevel mining, backfilling, steep seam conditions, new support system, difficult roof and/floor rockmass conditions for coal mines in Dukou, China

10. Lead & Zinc mine – Carried out site investigation testing on core/ore samples and technical report preparation as well as valuation in Taozhuang, China

11. Gold mine – Prepared technical assessment and valuation mineral assets reports and lab & field quality control and material testing reports in Tongchung, China

12. Aluminum mine – Carried out geotechnical analysis on core/ore samples from site inspection an prepare technical report and valuation in Yangpu, China

The following is the text of a letter, summary of values and valuation certificate dated 17th September, 2010 from Castores Magi (Hong Kong) Limited, an independent property valuer, in respect of its valuation of the property interests held by the Enlarged Group as at 31st July, 2010, prepared for the purpose of incorporation in this circular.

嘉漫(香港)有限公司
CASTORES MAGI (HONG KONG) LIMITED
REGISTERED PROFESSIONAL SURVEYORS
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES MAGI

Suite 211
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

17th September, 2010

The Directors
China Properties Investment Holdings Limited
Room 2001, 20th Floor,
Lippo Centre,
Tower Two,
89 Queensway,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which China Properties Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") have interest, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 31st July, 2010 (the "date of valuation").

Our valuations of the property interests are our opinion of the Market Value which we would define as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion." Market value is understood as the value of an asset estimate without regard to costs of sale or purchase and without offset for any associated taxes.

Our valuations of the property interests have been made on the assumption that the owner sells the properties on the market in their existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties.

The property interests in Groups I and II have been valued on a market basis assuming sale with vacant possession or otherwise subject to existing tenancies by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowances for variable factors.

In valuing the property interests, we have adopted the basis of valuation and have made the valuation assumptions in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In valuing the properties in the PRC, we have complied with all the requirements contained in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The current status of the property interests regarding major approvals, consents or licenses required in the PRC is set out as follows:

Document/Approval	Property 1 in Group I	Property 1 in Group II	Property 2 in Group II
Certificate of Real Estate Ownership	Yes	Yes	Yes
Certificate of Registration of Real Estate of Shanghai Municipality	Yes	Yes	Yes

In valuing the property interests in Group II which are held by the Group for investment, we have adopted either the investment approach by capitalizing the net rental incomes receivable from the existing tenancies and the reversionary rental income potential or the market approach by assessing the unit rate of capital value from the market comparables.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the area in respect of the properties but have assumed that the site area shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

We have inspected the properties included in the attached valuation certificate, in respect of which we have been provided with such information, as we have required for the purpose of our valuations. However, no site surveys, investigations or examinations have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, such as mortgage and debenture charge, restrictions and outgoings of an onerous nature, which could affect their values.

We have been shown copies of various documents relating to the properties. However, we have not searched the original documents to verify any amendments, which may not appear on the copies handed to us. Due to restrictions of the land registration system in the People's Republic of China (the "PRC"), we are unable to search the original documents to verify the existing title of the properties in the PRC or any material encumbrances that might be attached to the properties. However, we have made reference to the opinion given by the Company's PRC legal advisers on PRC laws in respect of the Group's title to the properties.

The scope of valuations has been determined with reference to the property list provided by the Company. The properties on the list have been included in this valuation certificate.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated in this valuation certificates are in Hong Kong Dollar. The exchange rate adopted in our valuations of the property interests is the exchange rate prevailing as at the date of valuation being HK$1=RMB0.873 and there has been no significant fluctuation in the exchange rate between the date of valuation and the date of this letter.

The conclusion of values is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions, which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Company or the value reported.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
Castores Magi (Hong Kong) Limited
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
Registered Business Valuer of Hong Kong Business Valuation Forum
B.Sc. MRICS MHKIS RPS MCIArb AHKIArb
Director

Note: Deret Au Chi Chung is a Registered Professional Surveyor and has over 17 years of experience in valuing the properties in Hong Kong and the properties of private and state-owned enterprises in over 100 towns and cities in the PRC. He also possesses over 11 years of valuation experience in the Asia-Pacific region. His name is included on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Group I - Property interest held by the Group for owner occupation in the PRC

	Property	Capital value in Existing state as at 31st July, 2010 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	77,987,000
	Total:	77,987,000

Group II - Property interests held by the Group for investment in the PRC

	Property	Capital value in Existing state as at 31st July, 2010 *(HK$)*
1.	Whole of Levels 1 and 2 and Advertising Space, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	94,463,000
2.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	50,497,000
	Total:	144,960,000
	Grand Total:	222,947,000

VALUATION CERTIFICATE

Group I - Property interest held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2010 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	The property comprises two commercial units on Mezzanine Level and advertising space of a 25-storey commercial building, which was completed in 1999. The property has a total gross floor area of 1,889.36 sq.m. and its break down is set out as follows: **Unit** **Gross Floor Area** 201 1,515.97 sq.m. 202 373.39 sq.m. The property is held under the land use rights for a term commencing from 5th November, 2004 to 21st October, 2044.	The property is currently vacant.	77,987,000

Notes:

1. Unit 201 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038951 (上海市房地產權証 – 滬房地徐字(2004)第038951號) dated 5th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), a wholly-owned subsidiary of the Company.

2. Unit 202 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038949 (上海市房地產權証－滬房地徐字(2004)第038949號) dated 8th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), a wholly-owned subsidiary of the Company.

3. Unit Nos. 201 and 202 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200604010699 (他項權利(抵押) – 徐200604010699) registered on 23rd June, 2006.

4. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia, that:

   (a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

   (b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property, which is protected by the PRC law. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government authorities and paying additional land premium;

   (c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property; and

   (d) The property is subject to the following lawful and valid Real Estate Mortgage Contracts (房地產抵押合同):

      (i) Pursuant to a Real Estate Mortgage Contract - DB212070153 (房地產抵押合同 - DB212070153) dated 7th July, 2007 made between Shanghai Bank, Jingan Sub-Branch (上海銀行靜安支行) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), the property was mortgaged to the former party as loan security for a term commencing from 11th July, 2007 to 11th July, 2017 in a loan amount of RMB100,000,000; and

      (ii) The aforesaid Real Estate Mortgage Contract (房地產抵押合同) has been registered at Shanghai Real Estate Registry, Xuhui District (上海市徐匯區房地產登記處) on 11th July, 2007 under Registration Identification No.Xu 200704012699 (登記証明號 - 徐200704012699).

Group II - Property interests held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 31st July, 2010 *(HK$)*
1.	Whole of Levels 1 and 2 and Advertising Space, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 1 and 2 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,352.14 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 1 1,238.57 sq.m. Level 2 1,113.57 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 6-7 for details).*	94,463,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 (Shanghai Xiwu Industrial Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 1 of the property at a consideration of RMB43,000,000.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 (Shanghai Xiwu Industrial Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 2 of the property at a consideration of RMB40,771,308.2.

3. Level 1 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005053 (上海市房地產權証 – 滬房地靜字(2007)第005053號) dated 2nd November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

4. Level 2 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005054 (上海市房地產權証 – 滬房地靜字(2007)第005054號) dated 2nd November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

5. Levels 1 and 2 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Jing 200706001548 (他項權利[抵押] – 靜200706001548) registered on 2nd April, 2007.

6. Pursuant to a Shanghai Municipality Building Pre-Lease Contract of Commodity Flat (上海市房屋租賃商品房預租合同) and the supplementary clauses dated 1st September, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海靜安區始美秋子浴室 (Shanghai Jing'an District Shimeiqiuzi Spa), the latter party agreed to rent Unit A on Level 1, Unit A on Level 2 and Unit A on Level 3 having a total lettable area of 1,204.27 sq.m., from the former party for a term commencing from 1st November, 2007 to 29th February, 2016. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 29th February, 2008	108,000
From 1st March, 2008 to 28th February, 2009	111,240
From 1st March, 2009 to 28th February, 2010	114,580
From 1st March, 2010 to 28th February, 2011	118,020
From 1st March, 2011 to 29th February, 2012	121,560
From 1st March, 2012 to 28th February, 2013	125,210
From 1st March, 2013 to 28th February, 2014	128,970
From 1st March, 2014 to 28th February, 2015	132,840
From 1st March, 2015 to 29th February, 2016	136,830

The rental payments are exclusive of water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

7. Pursuant to a Shanghai Municipality Building Pre-Lease Contract and the supplementary clauses dated 18th December, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited)and 上海豪宴樓餐飲管理有限公司 (Shanghai Haoyanlou Restaurant Management Co., Ltd.), the latter party agreed to rent portion of Levels 1 to 4 having a total lettable area of 3,910 sq.m., from the former party as restaurant for a term commencing from 1st November, 2007 to 4th April, 2017. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 4th April, 2008	458,333.30
From 5th April, 2008 to 4th April, 2009	472,083.29
From 5th April, 2009 to 4th April, 2010	486,245.79
From 5th April, 2010 to 4th April, 2011	500,833.16
From 5th April, 2011 to 4th April, 2012	515,858.17
From 5th April, 2012 to 4th April, 2013	531,333.91
From 5th April, 2013 to 4th April, 2014	547,273.93
From 5th April, 2014 to 4th April, 2015	563,692.15
From 5th April, 2015 to 4th April, 2016	580,602.91
From 5th April, 2016 to 4th April, 2017	598,020.99

The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tele-communication and car-parking charges and other outgoings.

8. It is stated in legal opinion given by the Company's PRC legal advisers, *inter alia*, that:

(a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

(b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property, which is protected by the PRC law. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government authorities and paying additional land premium; and

(c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property.

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 31st July, 2010 *(HK$)*
2.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 3 and 4 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,762.13 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 3 1,346.60 sq.m. Level 4 1,415.53 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 6-7 for details)*.	50,497,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 (Shanghai Xiwu Industrial Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 3 of the property at a consideration of RMB20,000,000.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between上海錫武實業有限公司 (Shanghai Xiwu Industrial Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 4 of the property at a consideration of RMB21,397,964.

3. Level 3 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005244 (上海市房地產權証 – 滬房地靜字(2007)第005244號) dated 14th November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

4. Level 4 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005243 (上海市房地產權証 – 滬房地靜字(2007)第005243號) dated 14th November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

5. Levels 3 and 4 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Jing 200506009997 (他項權利[抵押] – 靜200506009997) registered on 8th November, 2005.

6. Pursuant to a Shanghai Municipality Building Pre-Lease Contract of Commodity Flat (上海市房屋租賃商品房預租合同) and the supplementary clauses dated 1st September, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海靜安區始美秋子浴室 (Shanghai Jing'an District Shimeiqiuzi Spa), the latter party agreed to rent Unit A on Level 1, Unit A on Level 2 and Unit A on Level 3 having a total lettable area of 1,204.27 sq.m., from the former party for a term commencing from 1st November, 2007 to 29th February, 2016. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 29th February, 2008	108,000
From 1st March, 2008 to 28th February, 2009	111,240
From 1st March, 2009 to 28th February, 2010	114,580
From 1st March, 2010 to 28th February, 2011	118,020
From 1st March, 2011 to 29th February, 2012	121,560
From 1st March, 2012 to 28th February, 2013	125,210
From 1st March, 2013 to 28th February, 2014	128,970
From 1st March, 2014 to 28th February, 2015	132,840
From 1st March, 2015 to 29th February, 2016	136,830

The rental payments are exclusive of water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

7. Pursuant to a Shanghai Municipality Building Pre-Lease Contract and the supplementary clauses dated 18th December, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海豪宴樓餐飲管理有限公司 (Shanghai Haoyanlou Restaurant Management Co., Ltd.), the latter party agreed to rent portion of Levels 1 to 4 having a total lettable area of 3,910 sq.m., from the former party as restaurant for a term commencing from 1st November, 2007 to 4th April, 2017. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 4th April, 2008	458,333.30
From 5th April, 2008 to 4th April, 2009	472,083.29
From 5th April, 2009 to 4th April, 2010	486,245.79
From 5th April, 2010 to 4th April, 2011	500,833.16
From 5th April, 2011 to 4th April, 2012	515,858.17
From 5th April, 2012 to 4th April, 2013	531,333.91
From 5th April, 2013 to 4th April, 2014	547,273.93
From 5th April, 2014 to 4th April, 2015	563,692.15
From 5th April, 2015 to 4th April, 2016	580,602.91
From 5th April, 2016 to 4th April, 2017	598,020.99

The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tele-communication and car-parking charges and other outgoings.

8. It is stated in legal opinion given by the Company's PRC legal advisers, *inter alia*, that:

(a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

(b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property, which is protected by the PRC law. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government authorities and paying additional land premium; and

(c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property.

Pursuant to Rule 5.09 of the Listing Rules, if the Company has obtained more than one valuation report regarding any of the Company's properties referred to in the circular within three months before the issue of the circular, then all other such reports must be included.

The following is the text of a letter, summary of values and valuation certificate dated 15 June, 2010 from Castores Magi (Hong Kong) Limited, an independent property valuer, in respect of its valuation of the property interests held by the Group as at 31 March 2010 for accounting purpose.

嘉漫(香港)有限公司
CASTORES MAGI (HONG KONG) LIMITED
REGISTERED PROFESSIONAL SURVEYORS
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES MAGI

Suite 211
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

15th June, 2010

The Directors
China Properties Investment Holdings Limited
Room 2001, 20th Floor,
Lippo Centre,
Tower Two,
89 Queensway,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which China Properties Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") have interest, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 31st March, 2010 (the "date of valuation").

Our valuations of the property interests are our opinion of the Market Value which we would define as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion." Market value is understood as the value of an asset estimate without regard to costs of sale or purchase and without offset for any associated taxes.

Our valuations of the property interests have been made on the assumption that the owner sells the properties on the market in their existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties.

The property interests in Groups I and II have been valued on a market basis assuming sale with vacant possession or otherwise subject to existing tenancies by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowances for variable factors.

In valuing the property interests, we have adopted the basis of valuation and have made the valuation assumptions in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In valuing the properties in the PRC, we have complied with all the requirements contained in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The current status of the property interests regarding major approvals, consents or licenses required in the PRC is set out as follows:

Document/Approval	Property 1 in Group I	Property 1 in Group II	Property 2 in Group II
Certificate of Real Estate Ownership	Yes	Yes	Yes
Certificate of Registration of Real Estate of Shanghai Municipality	Yes	Yes	Yes

In valuing the property interests in Group II which are held by the Group for investment, we have adopted either the investment approach by capitalizing the net rental incomes receivable from the existing tenancies and the reversionary rental income potential or the market approach by assessing the unit rate of capital value from the market comparables.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the area in respect of the properties but have assumed that the site area shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

We have inspected the properties included in the attached valuation certificate, in respect of which we have been provided with such information, as we have required for the purpose of our valuations. However, no site surveys, investigations or examinations have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, such as mortgage and debenture charge, restrictions and outgoings of an onerous nature, which could affect their values.

We have been shown copies of various documents relating to the properties. However, we have not searched the original documents to verify any amendments, which may not appear on the copies handed to us. Due to restrictions of the land registration system in the People's Republic of China (the "PRC"), we are unable to search the original documents to verify the existing title of the properties in the PRC or any material encumbrances that might be attached to the properties.

The scope of valuations has been determined with reference to the property list provided by the Company. The properties on the list have been included in this valuation certificate.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated in this valuation certificates are in Hong Kong Dollar. The exchange rate adopted in our valuations of the property interests is the exchange rate prevailing as at the date of valuation being HK$1=RMB0.88 and there has been no significant fluctuation in the exchange rate between the date of valuation and the date of this letter.

The conclusion of values is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions, which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Company or the value reported.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
Castores Magi (Hong Kong) Limited
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
Registered Business Valuer of Hong Kong Business Valuation Forum
B.Sc. MRICS MHKIS RPS MCIArb AHKIArb
Director

Note: Deret Au Chi Chung is a Registered Professional Surveyor and has over 17 years of experience in valuing the properties in Hong Kong and the properties of private and state-owned enterprises in over 100 towns and cities in the PRC. He also possesses over 11 years of valuation experience in the Asia-Pacific region. His name is included on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Group I - Property interest held by the Group for owner occupation in the PRC

Property		Capital value in Existing state as at 31st March, 2010 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	73,798,000
	Total:	73,798,000

Group II - Property interests held by the Group for investment in the PRC

1.	Whole of Levels 1 and 2 and Advertising Space, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	89,593,000
2.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	48,106,000
	Total:	137,699,000
	Grand Total:	211,497,000

VALUATION CERTIFICATE

Group I - Property interest held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2010 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	The property comprises two commercial units on Mezzanine Level and advertising space of a 25-storey commercial building, which was completed in 1999. The property has a total gross floor area of 1,889.36 sq.m. and its break down is set out as follows: **Unit** **Gross Floor Area** 201 1,515.97 sq.m. 202 373.39 sq.m. The property is held under the land use rights for a term commencing from 5th November, 2004 to 21st October, 2044.	The property is currently vacant.	73,798,000

Notes:

1. Unit 201 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038951 (上海市房地產權証 – 滬房地徐字(2004)第038951號) dated 5th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), a wholly-owned subsidiary of the Company.

2. Unit 202 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038949 (上海市房地產權証－滬房地徐字(2004)第038949號) dated 8th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), a wholly-owned subsidiary of the Company.

3. Unit Nos. 201 and 202 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200604010699 (他項權利(抵押) – 徐200604010699) registered on 23rd June, 2006.

4. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia, that:

   (a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

   (b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property, which is protected by the PRC law. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government authorities and paying additional land premium;

   (c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property; and

   (d) The property is subject to the following lawful and valid Real Estate Mortgage Contracts (房地產抵押合同):

      (i) Pursuant to a Real Estate Mortgage Contract - DB212070153 (房地產抵押合同 - DB212070153) dated 7th July, 2007 made between Shanghai Bank, Jingan Sub-Branch (上海銀行靜安支行) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), the property was mortgaged to the former party as loan security for a term commencing from 11th July, 2007 to 11th July, 2017 in a loan amount of RMB 100,000,000; and

      (ii) The aforesaid Real Estate Mortgage Contract (房地產抵押合同) has been registered at Shanghai Real Estate Registry, Xuhui District (上海市徐匯區房地產登記處) on 11th July, 2007 under Registration Identification No.Xu 200704012699 (登記証明號 - 徐200704012699).

Group II - Property interests held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 31st March, 2010 *(HK$)*
1.	Whole of Levels 1 and 2 and Advertising Space, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 1 and 2 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,352.14 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 1 1,238.57 sq.m. Level 2 1,113.57 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 6-7 for details).*	89,593,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 (Shanghai Xiwu Industry Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 1 of the property at a consideration of RMB43,000,000.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 (Shanghai Xiwu Industry Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 2 of the property at a consideration of RMB40,771,308.2.

3. Level 1 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005053 (上海市房地產權証 – 滬房地靜字(2007)第005053號) dated 2nd November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

4. Level 2 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005054 (上海市房地產權証 – 滬房地靜字(2007)第005054號) dated 2nd November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

5. Levels 1 and 2 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Jing 200706001548 (他項權利[抵押] – 靜200706001548) registered on 2nd April, 2007.

6. Pursuant to a Shanghai Municipality Building Pre-Lease Contract of Commodity Flat (上海市房屋租賃商品房預租合同) and the supplementary clauses dated 1st September, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海靜安區始美秋子浴室 (Shanghai Jing'an District Shimeiqizi Spa), the latter party agreed to rent Unit A on Level 1, Unit A on Level 2 and Unit A on Level 3 having a total lettable area of 1,204.27 sq.m., from the former party for a term commencing from 1st November, 2007 to 29th February, 2016. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 29th February, 2008	108,000
From 1st March, 2008 to 28th February, 2009	111,240
From 1st March, 2009 to 28th February, 2010	114,580
From 1st March, 2010 to 28th February, 2011	118,020
From 1st March, 2011 to 29th February, 2012	121,560
From 1st March, 2012 to 28th February, 2013	125,210
From 1st March, 2013 to 28th February, 2014	128,970
From 1st March, 2014 to 28th February, 2015	132,840
From 1st March, 2015 to 29th February, 2016	136,830

The rental payments are exclusive of water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

7. Pursuant to a Shanghai Municipality Building Pre-Lease Contract and the supplementary clauses dated 18th December, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海豪宴樓餐飲管理有限公司 (Shanghai Haoyanlou Restaurant Management Co., Ltd.), the latter party agreed to rent portion of Levels 1 to 4 having a total lettable area of 3,910 sq.m., from the former party as restaurant for a term commencing from 1st November, 2007 to 4th April, 2017. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 4th April, 2008	458,333.30
From 5th April, 2008 to 4th April, 2009	472,083.29
From 5th April, 2009 to 4th April, 2010	486,245.79
From 5th April, 2010 to 4th April, 2011	500,833.16
From 5th April, 2011 to 4th April, 2012	515,858.17
From 5th April, 2012 to 4th April, 2013	531,333.91
From 5th April, 2013 to 4th April, 2014	547,273.93
From 5th April, 2014 to 4th April, 2015	563,692.15
From 5th April, 2015 to 4th April, 2016	580,602.91
From 5th April, 2016 to 4th April, 2017	598,020.99

The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tele-communication and car-parking charges and other outgoings.

8. It is stated in legal opinion given by the Company's PRC legal advisers, *inter alia*, that:

(a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

(b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property, which is protected by the PRC law. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government authorities and paying additional land premium; and

(c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property.

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 31st March, 2010 *(HK$)*
2.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 3 and 4 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,762.13 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 3 1,346.60 sq.m. Level 4 1,415.53 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 6-7 for details)*.	48,106,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 (Shanghai Xiwu Industry Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 3 of the property at a consideration of RMB20,000,000.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between上海錫武實業有限公司 (Shanghai Xiwu Industry Co., Ltd.) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited), the latter party agreed to acquire Level 4 of the property at a consideration of RMB21,397,964.

3. Level 3 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005244 (上海市房地產權証 – 滬房地靜字(2007)第005244號) dated 14th November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

4. Level 4 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005243 (上海市房地產權証 – 滬房地靜字(2007)第005243號) dated 14th November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited).

5. Levels 3 and 4 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Jing 200506009997 (他項權利[抵押] – 靜200506009997) registered on 8th November, 2005.

6. Pursuant to a Shanghai Municipality Building Pre-Lease Contract of Commadity Flat (上海市房屋租賃商品房預租合同) and the supplementary clauses dated 1st September, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海靜安區始美秋子浴室 (Shanghai Jing'an District Shimeiqizi Spa), the latter party agreed to rent Unit A on Level 1, Unit A on Level 2 and Unit A on Level 3 having a total lettable area of 1,204.27 sq.m., from the former party for a term commencing from 1st November, 2007 to 29th February, 2016. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 29th February, 2008	108,000
From 1st March, 2008 to 28th February, 2009	111,240
From 1st March, 2009 to 28th February, 2010	114,580
From 1st March, 2010 to 28th February, 2011	118,020
From 1st March, 2011 to 29th February, 2012	121,560
From 1st March, 2012 to 28th February, 2013	125,210
From 1st March, 2013 to 28th February, 2014	128,970
From 1st March, 2014 to 28th February, 2015	132,840
From 1st March, 2015 to 29th February, 2016	136,830

The rental payments are exclusive of water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

7. Pursuant to a Shanghai Municipality Building Pre-Lease Contract and the supplementary clauses dated 18th December, 2007 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industrial Co. Limited) and 上海豪宴樓餐飲管理有限公司 (Shanghai Haoyanlou Restaurant Management Co., Ltd.), the latter party agreed to rent portion of Levels 1 to 4 having a total lettable area of 3,910 sq.m., from the former party as restaurant for a term commencing from 1st November, 2007 to 4th April, 2017. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 4th April, 2008	458,333.30
From 5th April, 2008 to 4th April, 2009	472,083.29
From 5th April, 2009 to 4th April, 2010	486,245.79
From 5th April, 2010 to 4th April, 2011	500,833.16
From 5th April, 2011 to 4th April, 2012	515,858.17
From 5th April, 2012 to 4th April, 2013	531,333.91
From 5th April, 2013 to 4th April, 2014	547,273.93
From 5th April, 2014 to 4th April, 2015	563,692.15
From 5th April, 2015 to 4th April, 2016	580,602.91
From 5th April, 2016 to 4th April, 2017	598,020.99

The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tele-communication and car-parking charges and other outgoings.

8. It is stated in legal opinion given by the Company's PRC legal advisers, *inter alia*, that:

(a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

(b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property, which is protected by the PRC law. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government authorities and paying additional land premium; and

(c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property.

RECONCILIATION STATEMENT PURSUANT TO RULE 5.07 OF THE LISTING RULES

The following is a statement reconciling the valuation figures with the figures included in the Company's combined statement of financial position as at its latest published accounts (i.e. 31 March 2010) pursuant to Rule 5.07 of the Listing Rules.

RECONCILIATION STATEMENTS

The properties located in the PRC as at 31 July 2010 have been valued by independent valuer. The text of the letter, valuation summary and valuation certificates in connection with the aforesaid property interests are set out in Appendix VII-A of this Circular.

The statement below shows the reconciliation of the above property interests from the audited consolidated financial statement of the Company as at 31 March 2010 to 31 July 2010 (the effective date of the valuation):

	RMB'000
Net book value as at 31 March 2010	186,117
Valuation surplus	8,516
Valuation as at 31 July 2010 per Appendix VII-A	194,633

The Company confirms that there had been no changes in the Company's property interests located in the PRC since 31 July 2010 (being the effective date of the valuation) up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance and the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion (and before the Capital Reorganisation becoming effective) are set out as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
6,000,000,000	Shares as at the Latest Practicable Date	300,000,000
Issued and fully paid, or credited as fully paid:		
1,823,789,499	Shares as at the Latest Practicable Date	91,189,475

Upon Completion

Issued and fully paid, or credited as fully paid:		*HK$*
2,183,789,499	Shares at the Latest Practicable Date	109,189,475
2,470,588,235	Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full	123,529,412
4,654,377,734	Shares in issue following the Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full	232,718,887

The Conversion Shares shall rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date issue.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below:

Long positions in shares of the Company

Name of Director	Capacity of Shares held	No. of Shares held	Percentage of issued share capital
Yu Wai Fong	Beneficial owner	102,526,071	4.69%

Long positions in the underlying shares of the share options of the Company

Name of Director	Date of grant of the share options	Exercise periods of the share options	Exercise price per Share	Number of options shares outstanding	Number of total underlying Shares
Yu Wai Fong	28 November 2007	28 November 2007 to 3 October 2012	HK$3	3,527,000	3,527,000
Au Tat On	28 November 2007	28 November 2007 to 3 October 2012	HK$3	3,527,000	3,527,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Long position in shares of the Company

Name	Capacity of Shares held	No. of Shares held	Percentage of issued share capital
Gold Trinity International Limited	Beneficial owner	483,070,874 *(Note 1)*	22.12%
Han Wei *(Note 2)*	Interest of a control corporation	483,070,874 *(Note 2)*	22.12%

Notes:

1. As at the Latest Practicable Date, Gold Trinity International Limited was the holder of 113,207,861 Shares and 369,863,013 underlying Shares in connection with the convertible bonds issued by the Company on 27 July 2009 in an outstanding principal amount of HK$27 million at the conversion price of HK$0.073 per conversion share.

2. Gold Trinity is wholly-owned by Mr. Han Wei who is deemed to be interested in 113,207,861 Shares and 369,863,013 underlying Shares. Therefore, Mr. Han Wei is taken to be interested in 483,070,874 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 March 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

6. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Bridge Partners Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CCIF CPA Limited	Certified public accountants
Castores Magi (Hong Kong) Limited	Independent property valuer
ROMA Appraisals Limited	Competent Evaluator
Roma Oil & Mining Associates Limited	Competent Person
上海君錦律師事務所 ("Shanghai Junjin Law Firm*")	Legal adviser as to the PRC laws

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had since 31 March 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The Enlarged Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

The Group

(a) The deed of termination dated 25 February 2009 entered between the Company and Mr. Dai Han Qing as vendor of the memorandum of understanding dated 29 July 2008 (the "**2008 MOU**") in relation to the termination of the 2008 MOU, further details of which are set out in the announcement of the Company dated 25 February 2009.

(b) The placing and subscription agreement dated 20 May 2009 and the supplemental agreement dated 22 May 2009 entered into between Ms. Yu Wai Fong as vendor ("**Ms. Yu**") and Get Nice Securities Limited as placing agent, and the Company and Ms. Yu respectively in relation to (i) the placing of 350,000,000 shares of the Company at the placing price of HK$0.133 per placing share to not less than six independent places; and (ii) the subscription by Ms. Yu and the allotment and issue by the Company of 350,000,000 shares of the Company at a price of HK$0.133 per subscription share, further details of which are set out in the announcements of the Company dated 21 May 2009 and 22 May 2009.

(c) The sale and purchase agreement dated 4 June 2009 entered into among Gold Trinity International Limited as vendor, the Company as purchaser and Mr. Han Wei as guarantor, pursuant to which the Company conditionally agreed to purchase and Gold Trinity International Limited conditionally agreed to sell the entire issued share capital of Main Pacific Group Limited at the consideration of HK$300 million, further details of which are set out in the announcement of the Company dated 11 June 2009.

(d) The conditional sale and purchase agreement dated 22 June 2009 entered into among the purchasers and Shanghai Xiang Chen Hang Place The Industry Co. Limited, a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Group, as vendor in relation to the sale and purchase of the whole of basement level one and ground level of the commercial unit situated at Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, the PRC at the consideration of RMB40 million.

(e) The placing and subscription agreement dated 6 July 2009 entered into between Ms. Yu as vendor and Get Nice Securities Limited as placing agent, and the Company and Ms. Yu respectively in relation to (i) the placing of 412,600,000 shares of the Company at the placing price of HK$0.09 per placing share to not less than six independent places; and (ii) the subscription by Ms. Yu and the allotment and issue by the Company of 412,400,000 shares of the Company at a price of HK$0.09 per subscription share, further details of which are set out in the announcement of the Company dated 6 July 2009.

(f) The memorandum of understanding dated 14 August 2009 entered into between the Company as purchaser and the vendors in relation to a possible acquisition of the entire interest in World Petroleum Inc. at a consideration that will be determined by reference to a relevant valuation report, further details of which are set out in the announcement of the Company dated 18 August 2009.

(g) The placing agreement entered into on 15 August 2009 between the Company and Cheong Lee Securities Limited as placing agent, under which the Company has agreed to issue and the placing agent has agreed to place convertible bonds of up to an aggregate principal amount of HK$600,000,000 with not less than six independent places at the conversion price of HK$0.118 per conversion share, further details of which are set out in the announcement of the Company dated 18 August 2009.

(h) The MOU dated 24 March 2010 entered into between the Company as purchaser and Star Lucky as vendor, in relation to a possible acquisition of the entire interest in Sinowood at a consideration to be determined by reference to the valuation of the Mine. The Mining company was also indirectly owned as to 51% by the Company as at the Latest Practicable Date, thus constituting the vendor a connected party of the Company.

(i) The top-up placing agreement dated 26 March 2010 entered into among Ms Yu as vendor, Cheong Lee Securities Limited as placing agent and the Company whereby the placing agent agreed to place up to 510,000,000 shares of the Company at a price of HK$0.084 per top-up placing share to not less than six independent places; (ii) the subscription agreement dated 26 March 2010 whereby Ms. Yu agreed to subscribe for and the Company will issue to Ms. Yu such number of shares of the Company as is equal to the number of top-up placing shares successfully placed by the placing agent pursuant to the top-up placing on the same date at a subscription price of HK$0.084 per subscription share; (iii) the new share placing agreement dated 26 March 2010 whereby Cheong Lee Securities Limited as placing agent agreed to place up to 90,000,000 new shares of the Company to not less than six independent places at a price of HK$0.084 per new placing share, further details of all of which are set out in the announcement of the Company dated 26 March 2010.

(j) The Addendum to the MOU dated 8 April 2010 entered into between the Company as purchaser and Star Lucky as vendor whereby the vendor agreed to repay the deposit paid by the purchaser (i) if the parties shall fail to execute any definitive agreement for the transfer of the Target Company under the MOU or fail to continue negotiations on the transfer on or before 23 June 2010; (ii) or if there is any material breach of the warranties and/or terms of the MOU by the vendor; or (iii) if the results of the due diligence review conducted by the purchaser are not satisfactory to the purchaser, further details of which are set out in the announcement of the Company dated 8 April 2010.

(k) The placing agreement dated 27 May 2010 entered into among Ms. Yu as vendor, Cheong Lee Securities Limited as placing agent and the Company whereby the placing agent agreed to place and the vendor agreed to sell up to 500,000,000 shares of the Company to not less than six independent placees at the price of HK$0.055 per placing share; and (ii) the subscription agreement dated 27 May 2010 whereby Ms. Yu agreed to subscribe for and the Company will issue such number of shares to Ms. Yu as is equal to the number of placing shares successfully placed by the placing agent pursuant to the placing agreement at the price of HK$0.055 per subscription share, further details of which are set out in the announcement of the Company dated 27 May 2010.

(l) The placing agreement dated 14 June 2010 entered into among Ms. Yu as vendor, Cheong Lee Securities Limited as placing agent and the Company whereby the placing agent agreed to place and the vendor agreed to sell up to 500,000,000 shares of the Company to not less than six independent placees at the price of HK$0.039 per placing share; and (ii) the subscription agreement dated 14 June 2010 whereby Ms. Yu agreed to subscribe for and the Company will issue such number of shares of the Company to Ms. Yu as is equal to the number of placing shares successfully placed by the placing agent pursuant to the placing agreement at the price of HK$0.039 per subscription share, further details of which are set out in the announcement of the Company dated 14 June 2010.

(m) The letter of confirmation dated 19 June 2010 signed between Cheong Lee Securities Limited as placing agent and the Company whereby the date of fulfillment of the conditions precedent under the placing agreement dated 15 August 2009 shall be extended from 20 June 2010 to 20 December 2010 and the conversion price shall be amended from HK$0.118 per conversion share to the average price of the shares of the Company for the five trading days immediately following the date of despatch of the circular or the par value of the shares of the Company, whichever is higher, further details of which are set out in the announcement of the Company dated 21 June 2010.

(n) The memorandum of understanding dated 21 June 2010 entered into between the Company as purchaser and the vendors in relation to a possible acquisition of the entire interest in Pure Power Holdings Limited, a company incorporated in the British Virgin Islands with the net proceeds raised from the placing of the convertible bonds pursuant to the placing agreement dated 15 August 2009, thus effecting a change in the use of the proceeds from the placing of the convertible bonds, further details of which are set out in the announcement of the Company dated 21 June 2010.

(o) The Confirmation Letter dated 22 June 2010 entered into between Star Lucky as vendor and the Company as purchaser whereby the parties agreed that the term of the MOU and the Addendum shall be extended to 24 September 2010, further details of which are set out in the announcement of the Company dated 22 June 2010.

(p) The top-up placing agreement dated 5 August 2010 entered into among Ms. Yu as vendor, Cheong Lee Securities Limited as placing agent and the Company whereby the placing agent agreed to place and the vendor agreed to sell up to 100,000,000 shares of the Company to not less than six independent placees at a price of HK$0.076 per placing share; (ii) the subscription agreement dated 5 August 2010 whereby Ms. Yu conditionally agreed to subscribe for and the Company agreed to issue such number of shares of the Company to Ms. Yu as is equal to the number of top-up placing shares successfully placed by the placing agent pursuant to the top-up placing at the price of HK$0.076 per subscription share; and (iii) the new shares placing agreement dated 5 August 2010 entered into between the placing agent and the Company whereby the placing agent agreed to place up to 180,000,000 new Shares at a price of HK$0.076 per placing share, further details of which are set out in the announcement of the Company dated 5 August 2010.

(q) The Sale and Purchase Agreement.

(r) The placing agreement dated 6 September 2010 entered into between the Company and Cheong Lee Securities Limited as the placing agent whereby the placing agent agreed to place up to 360,000,000 new Shares to not less than six independent placees at a placing price of HK$0.056 per placing share, further details of which are set out in the announcement of the Company dated 6 September 2010.

(s) The Supplemental Agreement.

(t) The loan assignment agreement dated 9 September 2010 entered into between Mr. Yang and the Company whereby Mr. Yang agreed to assign the Loan due from the Beijing Company to the Company at nil consideration, as signed and acknowledged by the Beijing Company.

The Target Group

(A) The Shenzhen Company

The sale and purchase agreement dated 15 March 2010 entered into between Mr. Ngai Hiu Liang as vendor and the Shenzhen Company as purchaser whereby Mr. Ngai Hiu Liang agreed to transfer and the Shenzhen Company agreed to purchase the entire issued share capital of the Shanghai Company at the consideration of RMB500,000.

(B) The Shanghai Company

The share transfer agreement dated 8 February 2010 entered into between Mr. Ching Yuan as vendor and the Shanghai Company as purchaser whereby Mr. Cheng agreed to transfer and the Shanghai Company agreed to purchase the entire issued share capital of the Beijing Company at the consideration of RMB500,000.

(C) The Beijing Company

(a) The memorandum of understanding dated 30 December 2008 entered into between Xinyuan Mining as vendor and the Beijing Company as purchaser whereby Xinyuan Mining agreed to transfer and the Beijing Company agreed to purchase 40% of the issued share capital of the Mining Company.

(b) The framework share transfer agreement dated 31 December 2009 entered into between Xinyuan Mining as vendor and the Beijing Company as purchaser whereby Xinyuan Mining agreed to transfer and the Beijing Company agreed to purchase 40% of the issued share capital of the Mining Company.

(c) The shareholding transfer agreement dated 5 February 2010 entered into between Xinyuan Mining as vendor and the Beijing Company as purchaser whereby Xinyuan Mining agreed to transfer and the Beijing Company agreed to purchase 40% of the issued share capital of the Mining Company at a consideration of RMB27,000,000.

(d) The share transfer agreement dated 28 February 2010 entered into between Xinyuan Mining as vendor and the Beijing Company as purchaser whereby Xinyuan Mining agreed to transfer and the Beijing Company agreed to purchase 40% of the issued share capital of the Mining Company, such transfer was to take effect on 8 March 2010. This share transfer agreement is entered into for registration purpose with the Administration of Industry and Commerce of Inner Mongolia.

(e) The agreement dated 20 April 2010 entered into between the Beijing Company and Shanghai Jiyi whereby the Beijing Company agreed to take up all the rights and responsibilities under the joint venture agreement, the Cooperative Agreement, the supplemental agreement to the Cooperative agreement previously undertaken by Xinyuan Mining with Shanghai Jiyi.

(f) The loan agreement dated 30 August 2010 entered into between the Beijing Company and Mr. Yang whereby Mr. Yang as the director and the authorised representative of the Beijing Company agreed to advance a total of RMB27 million to the Beijing Company on or before Completion for the settlement of certain loans owing by the Beijing Company to an Independent Third Party.

(g) The loan assignment agreement dated 9 September 2010 entered into between Mr. Yang and the Company whereby Mr. Yang agreed to assign the Loan due from the Beijing Company to the Company at nil consideration, as signed and acknowledged by the Beijing Company.

8. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group:

In 1998, the Company brought legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "**Defendants**") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfil their underwriting obligations thereunder and for the recovery of HK$40 million being the economic loss suffered by the Company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

In 2008, Shanghai Xiang Chen Hang brought legal proceedings against Shanghai Xu Hui (a third party independent of Shanghai Xian Chen Hang) for refund of the deposit of RMB15,044,347 (equivalent to approximately HK$15,435,500) (the "**Deposit**") paid by Shanghai Xian Chen Hang together with the accrued interests at an interest rate of 5% per annum (the "**Accrued Interests**") under the agreement dated 10 July 2007 between Shanghai Xiang Chen Hang and Shanghai Xu Hai. On 17 November 2008, Shanghai Xiang Chen Hang and Shanghai Xu Hui entered into a settlement agreement before上海徐匯區人民法院 (Shanghai Xu Hui District Court) for refund of the Deposits and Accrued Interests (collectively the "**Outstanding Amounts**") on or before 24 November 2008.

On 1 December 2008, Shanghai Xiang Chen Hang and Shanghai Xu Hui entered into a repayment agreement pursuant to which Shanghai Xu Hui shall repay the Outstanding Amounts in four instalments for the period between 5 December 2008 and 31 March 2009. As represented by the Company, Shanghai Xu Hui has repaid an amount of RMB1,000,000. Shanghai Xiang Chen Hang and Shanghai Xu Hui in the course of negotiation of the repayment of the balance of the Outstanding Amounts.

9. GENERAL

(a) The registered address of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 2001, 20/F. Lippo Centre, Tower Two, 89 Queensway, Hong Kong.

(c) The company secretary of the Company is Mr. Yip Yuk Sing ("**Mr. Yip**"). Mr. Yip was appointed as the company secretary of the Company in May 2008. He is also the chief financial officer of the Company. Mr. Yip has extensive experience in accounting and financial management. Prior to joining the Company, Mr. Yip served as the financial controller and company secretary of a Hong Kong listed company. He holds a bachelor's degree in Accounting and a Master degree in Corporate Finance. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Room 2001, 20/F. Lippo Centre, Tower Two, 89 Queensway Road, Hong Kong from the date of this circular up to and including the date of SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the Sale and Purchase Agreement and the Supplemental Agreement;

(c) the written consents from the experts as referred to under the section headed "Qualifications and Consents of Experts" in this appendix;

(d) a letter from the Independent Financial Adviser as set out from pages 40 to 67 of this circular;

(e) the technical report as set out in Appendix V to this circular;

(f) the valuation reports as set out in Appendices VI, VIIA and VIIB to this circular;

(g) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(h) the accountants' reports on the Target Group and the Mining Company as set out in Appendices II-A and II-B to this circular respectively;

(i) all the agreements/contracts as referred to in this circular;

(j) the annual reports of the Company for the financial years ended 31 March 2010 and 31 March 2009; and

(k) this circular.

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

NOTICE IS HEREBY GIVEN THAT the special general meeting of China Properties Investment Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Friday, 8 October 2010 at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) The sale and purchase agreement ("**Sale and Purchase Agreement**") dated 18 August 2010 entered into between Star Lucky Group Limited (星光集團有限公司) as the vendor ("**Vendor**"), the Company as purchaser and Mr. Yang WenHua (楊文華先生) as guarantor and supplemented by a supplemental agreement dated 8 September 2010 (the "**Supplemental Agreement**") regarding the acquisition of the entire issued share capital of Universe Prosper Limited (宇昌有限公司) (the "**Target Company**"), a copy of both of which has been produced to the meeting marked "A" and "B" respectively and signed by the chairman of the Meeting for the purpose of identification and all the transactions contemplated thereunder, including but not limited to the issue of convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$210,000,000 in accordance with the terms and conditions of the Convertible Bonds and the issue and allotment of 2,470,588,235 new shares of the Company at HK$0.085 each (the "**Conversion Price**") (subject to the usual provisions for adjustments) which may fall to be issued and allotted upon exercise of the conversion right attaching to the Convertible Bonds to the Vendor and/or its nominee(s) in settlement of the consideration under the Sale and Purchase Agreement and the Supplemental Agreement, be and are hereby approved, confirmed and ratified; and

(b) Any one or more of the directors (the "**Director(s)**") of the Company be and is/are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry out and implement the Sale and Purchase Agreement and the Supplemental Agreement and all the transactions contemplated thereunder into full effect."

By order of the Board
China Properties Investment Holdings Limited
Xu Dong
Chairman

Hong Kong, 17 September 2010

Head office and principal place of business in Hong Kong
Room 2001, 20/F.
Lippo Centre, Tower Two
89 Queensway
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.