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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Sonangol Resources Enterprise Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### CHINA SONANGOL RESOURCES ENTERPRISE LIMITED

安中資源實業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

### CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK\$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2011

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



TC Capital Asia Limited  
天財資本亞洲有限公司

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A notice convening the special general meeting of China Sonangol Resources Enterprise Limited (the “Company”) to be held at Suites 1003-1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong on Friday, 11 March 2011 at 11:00 a.m. (the “SGM”) is appended to this circular.

Whether or not you are able to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

21 February 2011

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Board”	Board of Directors
“Bond Circular”	The Company’s circular dated 21 February 2008 in relation to, among other matters, (i) proposed subscription of new shares and convertible bond and (ii) increase in authorized share capital
“Company”	China Sonangol Resources Enterprise Limited (stock code: 1229), formerly known as Artfield Group Limited, a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange
“Conversion Period”	The period commencing from the date of issue of the Convertible Bond certificate and ending on a date falling 36 months of the date of issue of the Convertible Bond certificate. The Conversion Period is to be extended for another 36 months upon its expiry following the Extension pursuant to the Deed of Amendment
“Conversion Price”	HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type
“Conversion Share(s)”	Share(s) to be issued pursuant to exercise of the Convertible Bond
“Convertible Bond”	Outstanding and exercisable zero per cent convertible bond issued by the Company to the Subscriber with an aggregate principal amount of HK\$200,000,000
“Deed of Amendment”	The deed of amendment dated 11 February 2011 entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to extend the maturity date of the Convertible Bond for 36 months
“Directors”	The directors of the Company

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## DEFINITIONS

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“Extension”	The extension of the maturity date of the Convertible Bond for 36 months, together with the conversion period which will also be extended for 36 months accordingly
“Group”	The Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee comprising Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond, and Mr. Chan Yiu Fai, Youdey, being all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Extension and the Deed of Amendment
“Independent Shareholder(s)”	Shareholder(s) other than the Subscriber and its respective associates
“Latest Practicable Date”	17 February 2011, being the latest practicable date for ascertaining certain information in this circular before printing of this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	13 March 2014, the date upon which the Convertible Bond will expire following the Extension
“SGM”	The special general meeting of the Company to be convened and held for the Independent Shareholders to consider, and if thought fit, approve the Extension
“Share(s)”	Ordinary share(s) in the paid up capital of the Company
“Shareholder(s)”	Holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Subscriber”	Ascent Goal Investments Limited, the Substantial Shareholder of the Company and the subscriber to the Convertible Bond, a company incorporated in British Virgin Islands with limited liability, which is wholly-owned by China Sonangol International Limited, a company incorporated in Hong Kong with limited liability
“Subscription Agreement”	the conditional subscription agreement dated 15 January 2008 entered into between the Company as issuer and Ascent Goal Investment Limited as the Subscriber
“Substantial Shareholder(s)”	Has the meaning ascribed in the Listing Rules
“TC Capital”	TC Capital Asia Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Extension

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## LETTER FROM THE BOARD

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### CHINA SONANGOL RESOURCES ENTERPRISE LIMITED

### 安中資源實業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

*Directors:*

Ms. Lo Fong Hung (*Chairperson and Managing Director*)

Mr. Wang Xiangfei

Mr. Kwan Man Fai

Mr. Lam Ka Wai, Graham<sup>#</sup>

Mr. Wong Man Hin, Raymond<sup>#</sup>

Mr. Chan Yiu Fai, Youdey<sup>#</sup>

<sup>#</sup> *Independent non-executive Director*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business:*

Suites 1003-1006, 10th Floor

Two Pacific Place

88 Queensway

Hong Kong

21 February 2011

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
PROPOSED EXTENSION OF THE MATURITY DATE OF  
HK\$200,000,000 ZERO COUPON  
CONVERTIBLE BOND DUE 2011**

#### **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 28 January 2008, the Bond Circular and the announcement of the Company dated 11 February 2011. As described in the Bond Circular, the Company issued the Convertible Bond to the Subscriber in an aggregate principal amount of HK\$200,000,000. The Convertible Bond bears no interest and are convertible into Shares. As at the Latest Practicable Date, the Convertible Bond with an aggregate amount of HK\$200,000,000 held by the Subscriber is still outstanding. All outstanding Convertible Bond will mature on 13 March 2011 pursuant to the original terms and conditions of the Convertible Bond.

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## LETTER FROM THE BOARD

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The purposes of this circular is to provide you with, among other things, (i) information in relation to the Extension; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice from TC Capital to the Independent Board Committee and Independent Shareholders; and (iv) a notice of the SGM to consider and, if thought fit, to approve the resolution in relation to the Extension.

### **2. DEED OF AMENDMENT**

On 11 February 2011, the Company and the Subscriber entered into a Deed of Amendment to extend the maturity date of the Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months to 13 March 2014. Subject to the conditions below, the Subscriber has approved the Extension.

The Deed of Amendment will only become effective upon all the following conditions having been fulfilled:

- (a) the Company having convened a special general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve and ratify the Deed of Amendment;
- (b) the Stock Exchange having approved the Extension pursuant to Rule 16.03 of the Listing Rules; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Extension having been obtained.

Apart from the Extension, all terms of the Convertible Bond remain unchanged from the original terms.

The principal terms of the Convertible Bond after the Deed of Amendment becomes effective are as follows:

Principal amount	HK\$200,000,000.
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Coupon	The Convertible Bond will bear no interest.
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## LETTER FROM THE BOARD

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Maturity	<p>The Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the maturity date, being the date falling 36 months from the date of issue of the Convertible Bond certificate, unless previously converted. The original maturity date of 13 March 2011 is to be extended for another 36 months upon its expiry to a new maturity date of 13 March 2014.</p>
Conversion	<p>The holders of the Convertible Bond may convert the whole or part of the principal amount of the Convertible Bond (in multiples of HK\$1,000,000) into such number of Shares determined by dividing the principal amount of the Convertible Bond being converted by the Conversion Price then in effect.</p>
Conversion Price	<p>HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:</p> <ul style="list-style-type: none"><li>(i) any consolidation or sub-division of the Shares;</li><li>(ii) any issue of Shares (other than in lieu of a cash dividend) by way of capitalization of profits or reserves;</li><li>(iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash;</li><li>(iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement;</li><li>(v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement;</li></ul>



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## LETTER FROM THE BOARD

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- (vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price at the date of the related announcement; or
- (vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the related announcement.

Conversion period	The Conversion Period is a period commencing from the date of issue of the Convertible Bond certificate and ending on a date falling 36 months of the date of issue of the Convertible Bond certificate. The Conversion Period is to be extended for 36 months upon its expiry (which is 13 March 2014) following the Extension pursuant to the Deed of Amendments.
Redemption	Neither the Company nor the holder of Convertible Bond shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.
Transferability	The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.
Public float	The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
Ranking of Conversion Shares	The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.

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## LETTER FROM THE BOARD

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### 3. LISTING OF THE CONVERTIBLE BOND AND THE CONVERSION SHARES

No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognized stock or securities exchanges. However, application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the aggregate of 1,000,000,000 shares Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond in full.

### 4. REASONS FOR THE EXTENSION

The Extension effectively allows the Group to refinance the debts under the Convertible Bond under the same terms for a further 36 months. As at the date of this circular, the Company has sufficient funds to fully repay the Convertible Bond. However, the Board is of the view that the Extension will enable the Company to retain the funds for potential investments or opportunities. In addition, as the Convertible Bond is zero coupon, it will not incur any interest burden for the Group for the next 3 years. Save for the Extension, other terms and conditions of the Convertible Bond remain unchanged.

The Board<sup>1</sup> (including three independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, but save for Ms. Lo Fong Hung and Mr. Wang Xiangfei who have a material interest in the transaction and have abstained from voting on the Board resolution in relation to the Extension) considers that the terms and conditions of the Deed of Amendment are fair and reasonable and the Extension is in the interests of the Company and the Shareholders as a whole, and are of the view that the Extension will not pose any significant impact on the operations of the Group.

<sup>1</sup> *As Ms. Lo Fong Hung and Mr. Wang Xiangfei have material interest in the transaction, they have abstained from voting on the Board resolution in relation to the Extension*

### 5. LISTING RULES IMPLICATIONS

Pursuant to Rule 16.03 of the Listing Rules, any alteration in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible equity securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the Deed of Amendment pursuant to Rule 16.03 of the Listing Rules.

Ms. Lo Fong Hung and Mr. Wang Xiangfei, who are directors of the Company, both having a material interest in the transaction, have abstained from voting on the Board resolution in relation to the Extension. Ms. Lo Fong Hung has material interest in the transaction by virtue of her 30% equity interest in New Bright International Development Limited, which in turn holds 70% equity interest in China Sonangol International Limited, which is a holding company of Ascent Goal Investments Limited. Mr. Wang Xiangfei has material interest in the transaction by virtue of him being the spouse of Ms. Lo Fong Hung.

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## LETTER FROM THE BOARD

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As at the date of this circular, the Subscriber holds 74.42% of the share capital of the Company and hence it is a Substantial Shareholder and connected person of the Company under the Listing Rules. The Extension to be effected by the Deed of Amendment between the Company and the Subscriber constitutes a connected transaction of the Company. Therefore, the Extension is subject to reporting and announcement requirement, as well as approval by the Independent Shareholders at a SGM, under the Listing Rules. An independent board committee comprising of Lam Ka Wai, Graham, Wong Man Hin, Raymond, Chan Yiu Fai, Youdey, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Extension. TC Capital has been appointed as the independent financial adviser to advise the Independent Shareholders and the Independent Board Committee regarding the Extension. The Subscriber and its associates (whose shareholding interests represent 74.42% of the issued share capital of the Company) will abstain from voting in respect of the resolution approving the Extension and the transaction contemplated thereunder at the SGM.

### 6. GENERAL

The principal activity of the Group are investment holding, marketing of clocks and other office related products and mining, sales and distribution of coal.

To the best knowledge of the Directors, the Subscriber is an investment holding company. Aside from holding the 74.42% shareholding in the Company and the Convertible Bond, the Subscriber does not have any other significant business activities.

### 7. EGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 29 to 30 of this circular. At the SGM, resolution will be proposed to approve the Extension. Ms. Lo Fong Hung and Mr. Wang Xiangfei (executive Directors) have a material interest in the transaction and Ascent Goal Investments Limited will abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and return, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

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## LETTER FROM THE BOARD

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### 8. RECOMMENDATION

The Directors (including three independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, but save for Ms. Lo Fong Hung and Mr. Wang Xiangfei who have a material interest in the transaction and have abstained from voting on the Board resolution in relation to the Extension) consider that the terms of the Extension are fair and reasonable and in the interests of the Shareholders and the Company as a whole. The Directors recommend all the Independent Shareholders to vote in favour of the proposed ordinary resolution set out in the notice of the SGM to approve and/or ratify the Extension.

### 9. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 11 to 12 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the transaction; and (ii) the letter from TC Capital set out on pages 13 to 21 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the transaction and the principal factors and reasons considered by TC Capital in arriving at its recommendations.

By order of the Board  
**China Sonangol Resources Enterprise Limited**  
**Wang Xiangfei**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### CHINA SONANGOL RESOURCES ENTERPRISE LIMITED

安中資源實業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

21 February 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
PROPOSED EXTENSION OF THE MATURITY DATE OF  
HK\$200,000,000 ZERO COUPON  
CONVERTIBLE BOND DUE 2011**

#### INTRODUCTION

We refer to the circular of the Company of even date (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Deed of Amendment and the transactions contemplated thereunder. TC Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 13 to 21 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having considered the terms of the Deed of Amendment, the transactions contemplated thereunder and taking into account the independent advice of TC Capital and the relevant information contained in the letter from the Board, we are of the opinion that the Deed of Amendment and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve and/or ratify the Deed of Amendment and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Lam Ka Wai Graham**

**Wong Man Hin Raymond**

**Chan Yiu Fai Youdey**

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## LETTER FROM TC CAPITAL

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from TC Capital Asia Limited dated 21 February 2011 prepared for incorporation in this circular:*



TC Capital Asia Limited  
天財資本亞洲有限公司

21 February 2011

*The Independent Board Committee and the Independent Shareholders  
China Sonangol Resources Enterprise Limited*

Dear Sirs or Madams,

**CONNECTED TRANSACTION  
PROPOSED EXTENSION OF THE MATURITY DATE OF  
HK\$200,000,000 ZERO COUPON  
CONVERTIBLE BOND DUE 2011**

### INTRODUCTION

We refer to our appointment as independent financial adviser to the Independent Board Committee comprising of Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey (the “**Independent Board Committee**”), and the Independent Shareholders relating to the connected transaction as described in the letter from the Board within the circular to Shareholders dated 21 February 2011 (the “**Circular**”). Our letter is made for incorporation into the Circular. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

Background of and reasons for the Extension are set out in the letter from the Board within the Circular. Our role as independent financial adviser is to give our opinion as to whether the Extension is fair and reasonable insofar as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

In formulating our recommendation, we have considered, among other things, (i) the terms of the Deed of Amendment; (ii) the terms of the Convertible Bond; (iii) the Company’s 2010 annual report and 2010 interim report; and (iv) other information as set out in the Appendix to the Circular. We have also discussed with the management of the Group their plans and prospects for the Group.

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## LETTER FROM TC CAPITAL

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In putting forth our recommendation, we have relied on all relevant information, opinions and facts supplied, and representation made to us by the representatives of the Company, including details of the Extension. We have assumed that all such information, opinions, facts and representations, which have been provided by the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. The representatives of the Company have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE EXTENSION

In arriving at our opinion on the Extension, we have taken into consideration the following factors and reasons:

#### Background of the Convertible Bond

On 14 March 2008, the Company issued the Convertible Bond to the Subscriber with an aggregated principal amount of HK\$200,000,000. Details of the Convertible Bond are contained within the Bond Circular.

#### Key terms of the Deed of Amendment

Key terms of the Deed of Amendment for the Extension as follows:

Date of deed	:	11 February 2011
Parties	:	<ul style="list-style-type: none"><li>• The Company, as the issuer of the Convertible Bond</li><li>• Ascent Goal Investments Limited, as the Subscriber</li></ul>
Subject matter	:	The Company and the Subscriber have decided to extend the maturity date of the Convertible Bond to a date falling 36 months from the date of the original maturity date of 13 March 2011, upon the same terms and conditions.



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## LETTER FROM TC CAPITAL

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- Amendments to  
Subscription  
Agreement
- :
- (i) “Conversion Period” as defined in the Subscription Agreement shall now mean the period commencing from the date of issue of the Convertible Bond certificate and ending on a date falling 36 months of the date of issue, and upon expiry of the same, the Conversion Period shall be extended for another 36 months; and
  - (ii) The “Maturity Date” of the Convertible Bond shall be a date falling 36 months from the date of the issue of the Convertible Bond certificate and shall be extended for another 36 months upon the expiry of the same. The Company shall repay the principal amount outstanding under the Convertible Bond to the Subscriber in full on the Maturity Date as herein extended.

Save for the above amendments, all other terms and conditions of the Subscription Agreement and the terms and conditions of the Convertible Bond shall remain in full force.

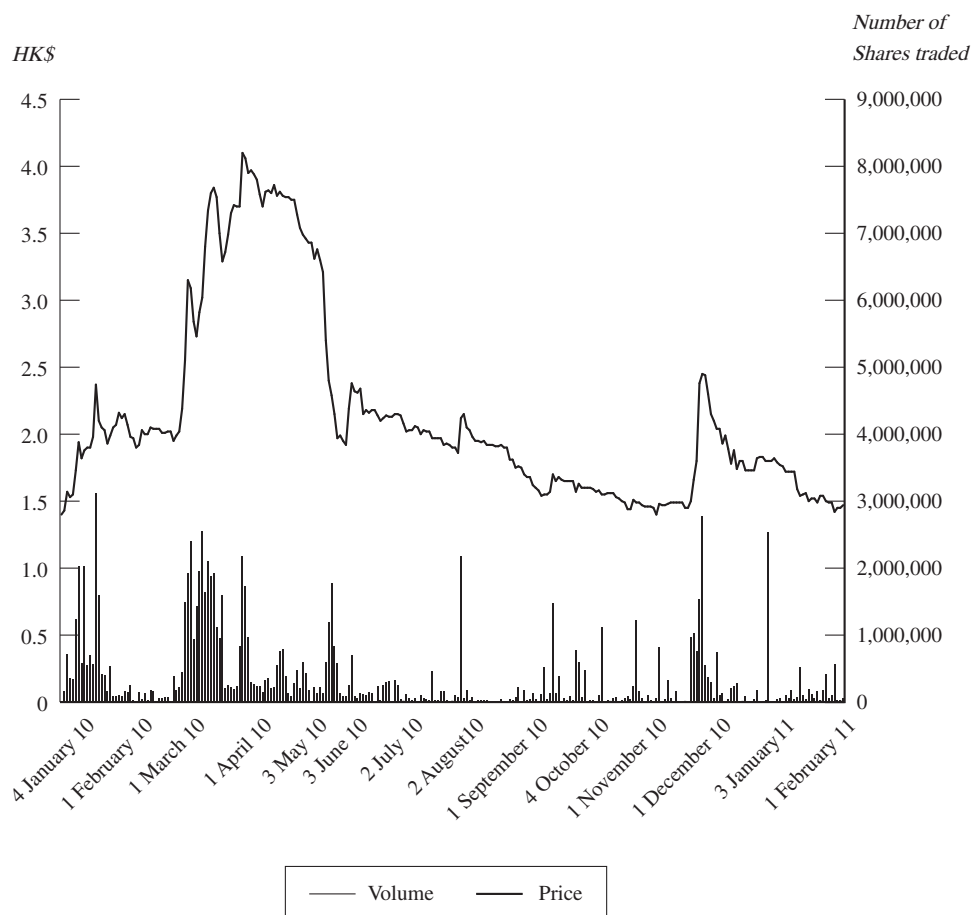
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## LETTER FROM TC CAPITAL

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### Conversion price of the Convertible Bond (the “Conversion Price”)

For the purpose of comparing the Conversion Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 2 January 2010 up to the Latest Practicable Date (the “**Review Period**”) as follows:



Source: Infocast

During the Review Period, the lowest closing price was HK\$1.40 per Share recorded on 15 November 2010 and 4 January 2011, and the highest closing price was HK\$4.10 per Share recorded on 8 April 2010. The Conversion Price represents a discount of approximately 85.7% to the said lowest closing price per Share, and a discount of approximately 95.1% to the said highest closing price per Share during the Review Period.

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## LETTER FROM TC CAPITAL

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The table below summarises the discount of the Conversion Price of HK\$0.20 per Share to closing market prices per Share and net asset value per Share:

	<b>Average (Closing) price per Share</b>	<b>Discount of the Conversion Price to the average (Closing) price per Share</b>
As of Latest Practicable Date	HK\$1.470	86.4%
Average for the 5 consecutive trading days up to and including the Latest Practicable Date	HK\$1.456	86.3%
Average for the 10 consecutive trading days up to and including the Latest Practicable Date	HK\$1.484	86.5%
Average for the 30 consecutive trading days up to and including the Latest Practicable Date	HK\$1.623	87.7%
Average for the 90 consecutive trading days up to and including the Latest Practicable Date	HK\$1.658	87.9%
Average for the 180 consecutive trading days up to and including the Latest Practicable Date	HK\$1.795	88.9%

Upon comparison, the Conversion Price is at a significant discount of up to 89% below the average price of the Shares. Solely on such basis, we consider the Conversion Price to be not attractive to the Independent Shareholders.

However, taking into account that:

- (1) the low liquidity of Shares recorded up to and including the Latest Practicable Date during the Review Period, as demonstrated by daily average trading volume of merely about 353,581 Shares, representing only about 0.046% of a total of 765,373,584 Shares in issue as at the Latest Practicable Date;
- (2) the Company has been suffering from loss-making results for the past six consecutive financial years ended 31 March 2010 and six months ended 30 September 2010, without paying out any dividend to Shareholders during the same years/period;

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## LETTER FROM TC CAPITAL

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- (3) the Convertible Bond has zero coupon payable by the Company to the Subscriber for a period of 3 years, which is a loan much better than market rate for commercial loans offered by financial institutions in Hong Kong that is normally based on the prime rate; and
- (4) Without a recent profit track record, it is unlikely that the Company will be able to secure any form of sizable bank financing. Similarly, any form of equity financing would also experience the same difficulty, as well as being very costly in terms of underwriter fees and/or pricing of the Shares.

Therefore, we consider that the Conversion Price is, when taken on a whole context, acceptable so far as the Independent Shareholders are concerned.

### **Reasons and benefit for the Extension**

#### ***Prevents the Company from short term cashflow timing issues***

Based on the unaudited accounts of the Company dated 30 September 2010, the Company has a bank balance and cash amounting to approximately HK\$219 million. Although there is sufficient amount to repay HK\$200 million of the Convertible Bond, a full repayment of the Convertible Bond would mean the Company would only have a balance of approximately HK\$19 million. The Company believes it is not prudent to maintain the operations of the Group with such low levels of cash and bank balances, which could expose the Company to the risk of short term cashflow timing differences and difficulties.

#### ***Potential investment opportunities***

The Company is constantly on the lookout for potential investment opportunity as the Company is presently only dependent on its coal mining business to generate revenues for the Group. Currently, there is no potential investment opportunity that the Company has identified or businesses that the Company intends to invest in. However, having an established business networks, the Directors believe that they may, on an ad-hoc basis, come across potential investment opportunities that may be very lucrative to forgo. Should the Company repay the Convertible Bond in full, the Company would have lack the financial capability to take advantage of such opportunity.

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## LETTER FROM TC CAPITAL

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### ***Additional loans may not be easily available***

Based on the Company's interim report, the debt-to-equity ratio of the Group is approximately 100% and the Company has experience consecutive losses over the years. We believe that it will be difficult for the Company to obtain further financing from the financial institutions to replace the Convertible Bond. Any loan offers from banks will also incur high interest rate and significant collateral. As such, these bank loans would incur significant cash outflow in the form of interest or financial expense.

### ***No interest loan***

As the Convertible Bond does not have interest or coupon rate, this present no financial burden to the Group while waiting for potential investment opportunities to arise. This form of financial assistance from the Substantial Shareholder is an opportunity not readily available in the market that the Company could take advantage of.

### ***Non cashflow impact of the Convertible Bond***

Although extending the Convertible Bond will not have any actual cashflow impact to the Company, the Company will experience a non-cash effective interest expense, which is an accounting treatment of amortizing the difference of the Convertible Bond's gross proceed and actual fair value over the lifetime of the Convertible Bond, that would impact the profit and loss accounts of the Group. Based on historical effective interest expense of the Convertible Bond, the Company incurred HK\$16.6 million and HK\$18.5 million for the years 2009 and 2010, respectively, as the non-cash interest expense of the Company. Should the Convertible Bond be extended for another 3 years, the Company would again experience 3 years of non-cash interest expense on it accounts.

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## LETTER FROM TC CAPITAL

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### *Delay of dilution effect*

The conversion rights of the Convertible Bond held by the Subscriber, if converted in full, would presents a significant dilution effect of 56.65% discount to the Independent Shareholders existing interest in the Company. Below is a table listing the current shareholding of the Company and the effects if the Convertible Bond is converted in full.

	<b>Current shareholding of the Company (no. of Shares)</b>	<b>Percentage (%)</b>	<b>Shareholding of the Company assuming full conversion of the Convertible Bond* (no. of Shares)</b>	<b>Percentage (%)</b>
Ascent Goal Investments Limited	569,616,589	74.42	569,616,589	32.27
Convertible Bond	<u>–</u>	<u>–</u>	<u>1,000,000,000</u>	<u>56.65</u>
Sub-total	<u>569,616,589</u>	<u>74.42</u>	<u>1,569,616,589</u>	<u>88.91</u>
Public Shareholder	195,756,995	25.58	195,756,995	11.09
TOTAL	<u><u>765,373,584</u></u>	<u><u>100.00</u></u>	<u><u>1,765,373,584</u></u>	<u><u>100.00</u></u>

*Note:*

- \* Full conversion of the Convertible Bond is based on a hypothetical basis and in no way implies or indicates that Ascent Goal Investments Limited could or will exercise such conversion rights of the Convertible Bond to reduce the interest of public Shareholders to below 25%

Therefore, postponing the exercise of the conversion rights attaching to the Convertible Bond is in the interest of the Independent Shareholders, thereby giving the Independent Shareholders more time to enjoy a higher equity interest and the profits in the Company, until such time the Convertible Bond is fully exercised.

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## LETTER FROM TC CAPITAL

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### *Effects if the Subscriber sells the existing Shares to exercise the Convertible Bond*

Although the Subscriber is unable to exercise the rights attached to the Convertible Bond due to the lack of public shareholding spread in the shareholding of the Company, the Subscriber could instead sell a portion of the existing interest in the Company prior to exercising the rights attaching to the Convertible Bond to ensure a sufficient public shareholding spread exist or sell the Convertible Bond to independent third parties to be exercised.

Based on the above turnover analysis of the Shares during the Review Period, in the event the Subscriber decides to sell a portion of the existing interest in the Company, it could put substantial downward pricing pressure on the price of the Shares as the trading volume of the Shares is thin. We have discussed with the Company and noted that the Subscriber has no intention of selling any of its interest in the Company as of Latest Practicable Date.

### RECOMMENDATION

Having considered the above principal factors and reasons, in particular, the steep discount of the Conversion Price compared to the current market price of the Shares, we are of the opinion that the Extension of the Convertible Bond and the terms of the Deed of Amendment, which will result in the Company accepting the terms of the Convertible Bond for another 3 years, are not on normal commercial terms and not in the ordinary and usual course of business of the Company. However, when considered in the whole context in terms of the situation and performance of the Company and its Shares, the Extension of the Convertible Bond and the terms of the Deed of Amendment are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to approve the Deed of Amendment at the upcoming SGM.

Yours faithfully,  
For and on behalf of  
**TC Capital Asia Limited**  
**Edward Wu**  
*Managing Director*

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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. DISCLOSURE OF INTERESTS

(a) Directors’ and chief executives’ interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

*Interests in an associated corporation of the Company*

				Approximate	
Name of director	Note	Name of associated corporation	Nature of interest	Number of Shares Interested	percentage of the issued share capital
Ms. Lo Fong Hung	1,3	New Bright International Development Limited	Interests of controlled corporation	3,000 (L)	30.0%
Mr. Wang Xiangfei	2	New Bright International Development Limited	Interests of controlled corporation	3,000 (L)	30.0%

(L) denotes as long position



*Notes:*

1. Ms. Lo Fong Hung (“Ms. Lo”) is interested in 3,000 shares in New Bright International Development Limited (“New Bright”), representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol International Limited (“China Sonangol”). China Sonangol is the holding company of Ascent Goal Investments Limited (“Ascent Goal”), the controlling shareholder of the Company.
2. Mr. Wang Xiangfei is the husband of Ms. Lo and is deemed to be interested in 3,000 shares of New Bright under the SFO.
3. Ms. Lo, an executive director, owns 30% of the issued share capital of New Bright which in turn is interested in 70% of China Sonangol. China Sonangol is the holding company of Ascent Goal. Thus, Ms. Lo has an attributable interest in 569,616,589 shares and a HK\$200,000,000 convertible bond giving rise to an interest in 1,000,000,000 underlying shares.

Save for the information disclosed above, as at Latest Practicable Date, none of the directors or chief executives of the Company or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (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 and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders’ interests

As at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

*Long positions in shares or underlying shares of the Company*

Name of Shareholder	Notes	Nature of interest	Approximate percentage of the issued share capital of the Company <sup>6</sup>	
			Number of shares and underlying shares held	
Ascent Goal Investments Limited	1,4	Beneficial owner	1,569,616,589	205.08%
China Sonangol International Limited	2,4	Interests of controlled corporation	1,569,616,589	205.08%
New Bright International Development Limited	2,4	Interests of controlled corporation	1,569,616,589	205.08%
Ms. Fung Yuen Kwan Veronica	3,4	Interests of controlled corporation	1,569,616,589	205.08%
Africa Israel Investments Ltd	5	Beneficial owner	45,000,000	5.88%
Mr. Lev Leviev	5	Beneficial owner	1,000,000	0.13%
	5	Interests of controlled corporation	74,000,000	9.67%

*Notes:*

1. Ascent Goal was directly interested in 569,616,589 shares and a further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares.
2. Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.
3. Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.
4. The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent 74.42% and 130.66% of the existing issued share capital of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent 205.08% of the existing issued share capital of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.
5. For the shares held by Mr. Lev Leviev of these shares, 45,000,000 shares were held by Africa Israel Investments Limited, a company controlled by Mr. Lev Leviev through his 74.89% interests in Africa Israel Investments Ltd; 29,000,000 shares were held by Memorand Management (1998) Ltd, a 99% owned subsidiary of Memorand Ltd, which in turn is a wholly-owned company of Mr. Lev Leviev; and 1,000,000 shares were held by Mr. Lev Leviev directly.
6. The approximate percentage of shareholdings is based on 765,373,584 shares as at the Latest Practicable Date, not the enlarged issued share capital of the Company upon full conversion of the Convertible Bond.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

**3. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group were made up.

**4. INTERESTS OF DIRECTORS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors nor their respective Associates is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business and none of the Directors nor their respective Associates is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

**5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

**6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**7. LITIGATION**

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

**8. EXPERT’S QUALIFICATION AND CONSENT**

TC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of TC Capital who has given its opinions or advices which are contained in this circular:

Name	Qualification
TC Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO.

**9. EXPERTS’ INTERESTS**

As the Latest Practicable Date, TC Capital had not any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2010, the date to which the latest audited financial statements of the Group were made up, and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business in Hong Kong is at Suites 1003-1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong.
- (b) The Company’s Hong Kong branch share registrar and transfer office is Union Registrars Limited, on 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

**11. DOCUMENT AVAILABLE FOR INSPECTION**

Copy of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at the office of the Company at Suites 1003-1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong up to and including the date of the SGM:

- (a) the memorandum of association and by-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2009 and 2010;
- (c) the interim report of the Company for the six months ended 30 September 2010;
- (d) the Deed of Amendment dated 11 February 2011;
- (e) the terms and conditions of the Convertible Bond;
- (f) the Subscription Agreement dated 15 January 2008; and
- (g) the letter from TC Capital dated 21 February 2011.

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## NOTICE OF SGM

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### CHINA SONANGOL RESOURCES ENTERPRISE LIMITED

### 安中資源實業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the “SGM”) of China Sonangol Resources Enterprise Limited (the “Company”) will be held at Suites 1003-1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong on Friday, 11 March 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT:**

the entry into of the Deed of Amendment (as defined in the circular to the shareholders of the Company dated 21 February 2011), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the Deed of Amendment and any documents and agreements incidental thereto under the common seal of the Company by any two directors of the Company on behalf of the Company be and are hereby confirmed, approved, authorised and ratified in all respect; and

any one director of the Company or, if the affixation of the common seal of the Company is necessary, any two directors of the Company be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Deed of Amendment and the transactions contemplated thereunder or otherwise in relation to the Deed of Amendment and the matters and the transactions contemplated thereunder.”

By order of the Board  
**China Sonangol Resources Enterprise Limited**  
**Wang Xiangfei**  
*Executive Director*

Hong Kong, 21 February 2011

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## NOTICE OF SGM

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*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or, if he is a holder of more than one share, proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time for holding of the meeting or adjourned meeting.
4. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or any adjournment thereof) if you so wish and is such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the ordinary resolution will be voted by way of poll.