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SINO PROSPER HOLDINGS LIMITED

中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(stock code: 766)

MAJOR TRANSACTION INVESTMENT IN RENEWABLE FUEL BUSINESS AND RESUMPTION OF TRADING

The Heads of Agreement

On 30 May 2006, SPE, a wholly-owned subsidiary of the Company, entered into the Heads of Agreement with Picnic Public and Picnic Ethanol pursuant to which SPE and Picnic Public agree to jointly develop the Ethanol Project Phase 1 to be executed by Picnic Ethanol. SPE shall subscribe 51% of the total issued and outstanding shares of Picnic Ethanol on a fully diluted basis after the Capital Increase by contributing US\$5,100,000 (equivalent to approximately HK\$39,780,000) to Picnic Ethanol. Picnic Public shall hold 49% of total issued and outstanding share of Picnic Ethanol by contributing US\$4,900,000 (equivalent to approximately HK\$38,220,000) to Picnic Ethanol (including capital already contributed as at the date of the Heads of Agreement and new contribution to be made to meet its US\$4,900,000 total contribution obligation stated above) on a fully diluted basis after the Capital Increase. **As completion of the Subscription is subject to the conditions precedent stated in the Heads of Agreement and in the Definitive Agreements as well as the signing of the Definitive Agreements and the Shareholders' approval at the EGM, the Subscription may or may not proceed. The Shareholders and the public should exercise caution when dealing in the securities of the Company.**

The Subscription constitutes a major transaction for the Company for the purpose of the Listing Rules. The Subscription and the transactions contemplated under the Heads of Agreement and the Definitive Agreements will be subject to approval by the Shareholders at the EGM. To the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM. A circular containing, among other things, (i) a notice convening the EGM to approve the Heads of Agreement, the Definitive Agreements and the transactions contemplated thereunder; and (ii) further information relating to the Heads of Agreement and the Definitive Agreements, will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

Resumption of trading

At the request of the Company, trading in the Shares was suspended with effect from 10:01 a.m. on 1 June 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 June 2006.

THE HEADS OF AGREEMENT

Date

30 May 2006

Parties

- (a) SPE, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
- (b) Picnic Public, a company incorporated under the laws of Thailand and listed on The Stock Exchange of Thailand
- (c) Picnic Ethanol, a company incorporated under the laws of Thailand and a wholly-owned subsidiary of Picnic Public

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Picnic Ethanol and its ultimate beneficial owners are third parties independent of the Company and its connected persons and Picnic Public and its ultimate controlling beneficial owners are third parties independent of the Company and its connected persons.

The Subscription

As far as the Directors are aware, the registered share capital of Picnic Ethanol is Baht 1,000,000 (equivalent to approximately HK\$200,000) as at the date of this announcement. Pursuant to the Heads of Agreement, Picnic Public shall procure Picnic Ethanol to increase and Picnic Ethanol shall increase its registered capital to such amount in Baht that shall be equivalent to US\$10,000,000 (equivalent to approximately HK\$78,000,000) (the "Capital Increase"). SPE shall subscribe 51% of the total issued and outstanding shares of Picnic Ethanol on a fully diluted basis after the Capital Increase by contributing US\$5,100,000 (equivalent to approximately HK\$39,780,000) to Picnic Ethanol. Picnic Public shall hold 49% of total issued and outstanding share of Picnic Ethanol by contributing US\$4,900,000 (equivalent to approximately HK\$38,220,000) to Picnic Ethanol (including capital already contributed as at the date of the Heads of Agreement and new contribution to be made to meet its US\$4,900,000 total contribution obligation stated above) on a fully diluted basis after the Capital Increase.

The Company intends to finance the investment in Picnic Ethanol by internal financial resources. The consideration for the Subscription was arrived at after arm's length negotiations between SPE, Picnic Public and Picnic Ethanol with reference to the project size of the Ethanol Project Phase 1 (as defined below).

Board composition

Upon completion of the Subscription, Picnic Public shall procure Picnic Ethanol to and Picnic Ethanol shall restructure its board of directors of Picnic Ethanol to comprise of five members, of which three of those shall be nominated by SPE and the remaining two shall be nominated by Picnic Public. Picnic Ethanol shall appoint a person nominated by Picnic Public and SPE as its Chief Executive Officer and Picnic Public shall procure Picnic Ethanol to appoint and Picnic Ethanol shall appoint a person nominated by SPE as its Chief Financial Officer.

Conditions of the Subscription

Completion of the Subscription is conditional upon (i) SPE has completed its due diligence review of Picnic Ethanol including but not limited to the financial, legal and business conditions of Picnic Ethanol, and being satisfied (in SPE's sole discretion) with the results of the due diligence review. As part of the due diligence review, the Company will obtain due diligence report from the legal adviser in Thailand. Pursuant to the Heads of Agreement, SPE shall within 15 days from the date of the Heads of Agreement conduct or instruct its advisers to conduct due diligence review at its own costs, and such due diligence review shall be finished within 30 days from the first date of conducting its due diligence review; (ii) the signing of the Definitive Agreements by the parties; (iii) any of the conditions precedent to be agreed in the Definitive Agreements; and (iv) Shareholders' approval. As far as the Directors are aware, no specific approval is required from local authority of Thailand for the completion of the Subscription.

Exclusivity

SPE, Picnic Public and Picnic Ethanol shall negotiate and proceed to work in concert exclusively to facilitate the completion of the transactions contemplated in the Heads of Agreement. The period of exclusivity shall be for 60 days from the date of execution of the Heads of Agreement and continue thereafter until the Heads of Agreement is terminated pursuant to the terms therein or the terms of the Definitive Agreement. For greater certainty, during the period of exclusivity, neither Picnic Public nor Picnic Ethanol shall enter into discussion or negotiation or execute any agreement or contract with any third party concerning or relating to the Ethanol Production Plant (as defined below) or the subscription of 51% equity interests in Picnic Ethanol by SPE.

Completion

SPE, Picnic Public and Picnic Ethanol shall enter into the Definitive Agreements within 60 days from the date of the Heads of Agreement. The completion of the Subscription and the transactions contemplated in the Heads of Agreement will be subject to the signing of the Definitive Agreements by the parties, the satisfaction of the respective conditions precedent stated in the Heads of Agreement and in the Definitive Agreements as well as the Shareholders' approval at the EGM.

As completion of the Subscription is subject to the conditions precedent stated in the Heads of Agreement and in the Definitive Agreements as well as the signing of the Definitive Agreements and the Shareholders' approval at the EGM, the Subscription may or may not proceed. The Shareholders and the public should exercise caution when dealing in the securities of the Company.

Termination

If the Definitive Agreements are not entered into by the parties within 60 days from the date of execution of the Heads of Agreement, then any party under the Heads of Agreement may terminate the Heads of Agreement by giving three days prior written notice to the other parties.

Role of SPE

SPE shall (i) arrange for a bank guarantee or a guarantee as required by CMEC under the EPC Contract (as defined below) and/or (ii) arrange for financing in order to cover costs and expenses to be paid under the EPC Contract (as defined below), with borrowing entity under the name of Picnic Ethanol and at the cost of Picnic Ethanol.

INFORMATION ABOUT PICNIC PUBLIC AND PICNIC ETHANOL

Picnic Public is a company incorporated under the laws of Thailand and listed on The Stock Exchange of Thailand. The principal business of Picnic Public is investment in energy related projects such as petroleum and liquid petroleum gas. Picnic Public has extensive experience in the liquid gas business and the related engineering business. As disclosed in website of The Stock Exchange of Thailand, Picnic Public owns a gas storage facility in Lam Pang, Thailand and rents other two gas storage facilities located in Surat Thani and Nakornsawan, Thailand from gas producers.

Picnic Ethanol, a company incorporated under the laws of Thailand, is a wholly-owned subsidiary of Picnic Public. The Directors understand that Picnic Ethanol has obtained a license from National Committee of Ethanol in Thailand to produce and distribute 500,000 litres of ethanol per day in Thailand. Picnic Ethanol will acquire a land in Chacherngsao Province, Thailand, with an area of approximately 64 hectare for the development of an ethanol production plant (the "Ethanol Production Plant") to produce ethanol for sale in Thailand. A contract (the "EPC Contract") has been entered into between Picnic Ethanol and CMEC on 30 November 2005, in which CMEC agrees to act as an engineering consultant of Picnic Ethanol to source and supply the required machinery and equipment for phase 1 of the Ethanol Production Plant (the "Ethanol Project Phase 1") (with an estimated output of 250,000 litre of ethanol per day) and arrange financing for the machinery and equipment costs at an aggregate amount of about US\$43,700,000 (equivalent to approximately HK\$340,860,000) for the Ethanol Project Phase 1 while borrowing entity will be Picnic Ethanol and guarantee for such financing will be provided by Picnic Ethanol. The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as the call option held by CMEC with the right to purchase for 80,000,000 Shares as disclosed in the announcement of the Company dated 20 July 2005, CMEC and its associates are third parties independent of the Company and its connected persons. Picnic Public and Picnic Ethanol plan to start constructions of the Ethanol Project Phase 1 in the second half of 2006 and expect to complete the construction by mid 2007 with the production capacity of 250,000 litres ethanol per day.

Pursuant to the Heads of Agreement, both SPE and Picnic Public agree to jointly develop the Ethanol Project Phase 1. The development of the Ethanol Project Phase 1 will cost approximately US\$50,000,000 (equivalent to approximately HK\$390,000,000), US\$10,000,000 (equivalent to approximately HK\$78,000,000) of which shall be funded by SPE and Picnic Public on a 51:49 basis, and therefore 51% of the US\$10,000,000 will be from the amount to be invested in Picnic Ethanol by SPE under the Subscription. The remaining US\$40,000,000 (equivalent to approximately HK\$312,000,000) will be by way of financing by third parties.

According to the audited financial statements of Picnic Ethanol which were prepared in accordance with the generally accepted accounting principles of Thailand, the audited net assets of Picnic Ethanol as at 31 December 2005 were approximately Baht 187,000 (equivalent to approximately HK\$37,400). The audited net losses of Picnic Ethanol before and after taxation and extraordinary items for the year ended 31 December 2004 were approximately Baht 60,000 (equivalent to approximately HK\$12,000) and Baht 60,000 (equivalent to approximately HK\$12,000) respectively. The audited net losses of Picnic Ethanol before and after taxation and extraordinary items for the year ended 31 December 2005 were approximately Baht 753,000 (equivalent to approximately HK\$150,600) and Baht 753,000 (equivalent to approximately HK\$150,600) respectively.

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in investment in energy and resources related projects and investment in production of raw materials for power generation and construction of highways in the PRC and other countries. The Group has been seeking various opportunities with an aim to diversify the variety of its business. In view of the depletion of global oil sources and sustained high oil prices, it is the Directors' intention to invest in renewable fuel business. Given that (i) ethanol has been globally recognised as a renewable fuel which is energy-save and environmental-friendly and (ii) in anticipation of the enormous demand and growth potential of ethanol market resulting from the high oil price, the Directors consider that the Subscription is a good investment opportunity by allowing the Group to enhance its participation in the renewable fuel market. The Directors are also of the opinion that the past experience of Picnic Public in the areas of energy related projects in Thailand will enhance the development of Picnic Ethanol.

The Directors confirm that the terms and conditions of the Heads of Agreement had been negotiated on an arm's length basis and were agreed on normal commercial terms between the parties. The Directors consider that the terms of the Heads of Agreement are fair and reasonable insofar as the Shareholders are concerned and are beneficial to the Company. The Directors are of the view that the Heads of Agreement is in the interests of the Company and the Shareholders as a whole. After completion of the Subscription, Picnic Ethanol will be accounted for as a subsidiary of the Company.

GENERAL

The Subscription constitutes a major transaction for the Company for the purpose of the Listing Rules. The Subscription and the transactions contemplated under the Heads of Agreement and the Definitive Agreements will be subject to approval by the Shareholders at the EGM. To the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM.

A circular containing, among other things, (i) a notice convening the EGM to approve the Heads of Agreement, the Definitive Agreements and the transactions contemplated thereunder; and (ii) further information relating to the Heads of Agreement and the Definitive Agreements, will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 10:01 a.m. on 1 June 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 June 2006.

DEFINITIONS

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “CMEC” | 中設國際貿易責任有限公司 (CMEC International Trading Co., Ltd*), a PRC state-owned enterprise principally engaged in the businesses of foreign trade, foreign economic and technical cooperation, contracting international engineering projects, and import and export of machinery and electrical products. |
| “Company” | Sino Prosper Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange |
| “connected person” | has the same meaning as ascribed in the Listing Rules |
| “Directors” | directors of the Company |
| “Definitive Agreements” | collectively the share subscription agreement, the shareholders’ agreement and any other agreements or documents which SPE’ legal counsel deems necessary in order to consummate the transactions contemplated under the Heads of Agreement |
| “EGM” | the extraordinary general meeting of the Company to be convened to approve, amongst other things, the Heads of Agreement, the Definitive Agreements and the transactions contemplated thereunder |
| “Group” | the Company and its subsidiaries |
| “Heads of Agreement” | the conditional agreement dated 30 May 2006 entered into between SPE, Picnic Public and Picnic Ethanol |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Picnic Ethanol” | Picnic Ethanol Company Limited, a company incorporated under the laws of Thailand on 26 October 2004 and a wholly-owned subsidiary of Picnic Public |
| “Picnic Public” | Picnic Corporation Public Company Limited, a company incorporated under the laws of Thailand and listed on The Stock Exchange of Thailand |
| “PRC” | the People’s Republic of China |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |

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| “SPE” | Sino Prosper Ethanol Development Limited (中盈乙醇投資開發有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | contribution of US\$5,100,000 for the subscription of 51% equity interests (on a fully diluted basis after the Capital Increase) in Picnic Ethanol by SPE pursuant to the terms of the Heads of Agreement |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Baht” | Thailand Baht, the lawful currency of Thailand |
| “US\$” | US dollars, the lawful currency of the United States |

In this announcement, the exchange rates of HK\$7.80 to US\$1.00 and HK\$0.20 to Baht 1 is used. However, it does not constitute a representation that any amount has been or may be exchanged at this or other rates at all.

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

Hong Kong, 6 June 2006

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

* *For identification purpose only*

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