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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)

FRAMEWORK AGREEMENT IN RESPECT OF THE PROPOSED INVESTMENT AND SUSPENSION AND RESUMPTION OF TRADING

FRAMEWORK AGREEMENT IN RESPECT OF THE PROPOSED INVESTMENT

The Board is pleased to announce that, in response to the invitation from the Investment Promotion Bureau of Guangxi Zhuang Autonomous Region, on 15 December 2006, Sino Prosper Re-energy, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Guangxi Shenzhou in relation to the proposed formation of the JV Company which is principally engaged in the operation of a raw material production base of biological fuel for fuel ethanol.

The Board wishes to emphasise that no binding agreement in relation to the Proposed Investment has been entered into as at the date of this announcement. As the Proposed Investment may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Investment will be made by the Company should any of the Formal Agreement has been signed and any material development about the Proposed Investment.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 2:30 p.m. on 15 December 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 19 December 2006.

FRAMEWORK AGREEMENT IN RESPECT OF THE PROPOSED INVESTMENT

Date : 15 December 2006

Parties : (i) Guangxi Shenzhou, which together with its subsidiaries and associates are Independent Third Parties. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of Guangxi Shenzhou are Independent Third Parties.

(ii) Sino Prosper Re-energy, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.

Major terms of the Framework Agreement

Under the Framework Agreement, it is proposed that Guangxi Shenzhou and Sino Prosper Re-energy will set up a sino-foreign equity joint venture enterprise under the proposed name of 廣西神州能源作物建設開發總公司 (Guangxi Shenzhou Energy Product Development Company*) in Nanning City, Guangxi Zhuang Autonomous Region, the PRC. Subject to the Formal Agreement, it is proposed that the JV Company will be principally engaged in (i) cultivation of raw materials for generation of biological fuel, (ii) applications of by-products produced in the course of generating biological fuel, (iii) production, purchase and sale of raw materials for generation of biological fuel, (iv) sifting and cultivation of raw materials for energy production resources and (v) development, consultancy and sales of the relevant application technology.

The proposed registered share capital of the JV Company will be RMB200 million of which Sino Prosper Re-energy will contribute RMB160 million in cash (representing 80% interests in the JV Company) and Guangxi Shenzhou will contribute technology, management and other resources amounting RMB40 million (representing 20% interests in the JV Company). The expected total investment amount of the Proposed Investment is estimated to be RMB1,000 million.

Sino Prosper Re-energy and Guangxi Shenzhou understand that the Investment Promotion Bureau of Guangxi Zhuang Autonomous Region has invited PetroChina to jointly invest in the JV Company. According to a letter from the Investment Promotion Bureau of Guangxi Zhuang Autonomous Region to the Company which recorded that PetroChina had already indicated its intention to invest in the JV Company with a purpose to establish a principal source of raw material base for further expansion of its fuel ethanol project in Guangxi Zhuang Autonomous Region. Under the Framework Agreement, Sino Prosper Re-energy and Guangxi Shenzhou agreed to invite and welcome PetroChina as a founding shareholder of the JV Company.

The People's Government of Laibin City, Guangxi Zhuang Autonomous Region has indicated that for investment of PetroChina, the JV Company and Guangxi Shenzhou to invest, construct and develop a bio-energy production base for production of tapioca in Laibin City, the People's Government of Laibin City, Guangxi Zhuang Autonomous Region can provide an agricultural land with of up to 600,000 Mu for development purpose, and will provide the Group with the required support and co-ordination for the Proposed Investment.

According to the development strategy of the fuel ethanol in Guangxi Zhuang Autonomous Region, it is targeted that the JV Company will initially set up the areas with 1 million Mu for cultivation and processing of tapioca for the purpose of generation of biological fuel for fuel ethanol. It is also a middle-to-long-term goal for the JV Company to set up the production base with a site area of 5 million Mu for cultivation and processing of raw materials for generation of biological fuel, such as tapioca, canes and corns depending on the market conditions.

The Framework Agreement recorded the parties' intention for the Proposed Investment and does not constitute legally binding commitment in respect of the Proposed Investment. The Proposed Investment will be subject to the execution and completion of the Formal Agreement and may require the approvals from the Stock Exchange and the Shareholders in the event that the Proposed Investment constitutes notifiable transactions under the Listing Rules. No long-stop date has been fixed under the Framework Agreement as to the deadline for entering into the Formal Agreement.

Reasons for the Proposed Investment

The principal businesses of Guangxi Shenzhou are research, development and application of environmental protection technology, consultation, design and contracting of environmental protection engineering, research, manufacture and sale of environmental protection products and equipment, promotion of use of renewable energy and clean production technology.

Apart from being used as a feed of high starch, tapioca is also a material for production of fuel ethanol. Fuel ethanol is made from grain and plant fiber and can be used as an alternative fuel after mixing petrol. It can improve the performance and quality of the petrol and reduce the pollutants such as carbon monoxide and hydrocarbon compounds.

According to the “Related Report about the Alternative Energy Research” from National Development and Reform Commission in the PRC, from 2006 to 2010, the PRC should focus on the use of bio-energy raw materials such as tapioca and sweet potato for the production of fuel ethanol. The relevant statistics in the PRC indicated that, from 2006 to 2010, the production volume of fuel ethanol in the PRC can reach approximately 10 million tons (according to the statistics from the Planning, Designing and Research Institute of Ministry of Agriculture of the PRC, production of 1 ton of ethanol requires 7 tons of tapioca. The annual production volume of tapioca in the PRC is only approximately 4 million tons of which 60% are produced from Guangxi Zhuang Autonomous Region and 3 million tons are required to be imported from South East Asia annually and the price of tapioca increased by 20% annually). Under the integration of the estate policy of the PRC, there would have a huge demand for relevant raw materials for production of fuel ethanol, especially tapioca and biological resources, etc. With a view of the reduction of natural resources and environmental protection, the development of biological resources has become an important development strategy for every country in the world. The Directors consider that the Proposed Investment is a good investment opportunity by allowing the Group to enhance its participation in the PRC biological fuel market. Therefore, the Directors consider the Proposed Investment, if proceed, will be beneficial to the Group.

The Board wishes to emphasise that no binding agreement in relation to the Proposed Investment has been entered into as at the date of this announcement. As the Proposed Investment may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Investment will be made by the Company should any of the Formal Agreement has been signed and any material development about the Proposed Investment.

GENERAL

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. Sino Prosper Re-energy is an investment holding company which incorporated for the purpose of executing the Proposed Investment.

SUSPENSION AND RESUMPTION OF TRADING

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DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sino Prosper Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Directors”	directors (including the independent non-executive directors) of the Company
“Formal Agreement”	the sale and purchase agreement which may or may not be entered into in relation to the Proposed Investment
“Framework Agreement”	the non-legally binding framework agreement dated 15 December 2006 entered into between Guangxi Shenzhou and Sino Prosper Re-energy setting out the basic understanding in relation to the Proposed Investment
“Group”	the Company and its subsidiaries
“Guangxi Shenzhou”	廣西神州環保產業股份有限公司 (Guangxi Shenzhou Environmental Protection Company Limited*), a company established in the PRC and is owned by third parties independent of the Company and its connected persons
“Independent Third Party(ies)”	a third party who is independent of the Company and connected persons (has the same meaning ascribed to it under the Listing Rules) of the Company
“JV Company”	the sino-foreign equity joint venture enterprise proposed to be established under the proposed name of “廣西神州能源作物建設開發總公司 (Guangxi Shenzhou Energy Product Development Company*)” in Nanning City, Guangxi Zhuang Autonomous Region, the PRC under the Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mu”	one mu is equivalent to approximately 666.67 square meters
“PetroChina”	中國石油天然氣股份有限公司勘探與生產分公司 (PetroChina Company Limited Exploration and Production Branch*)
“PRC”	the People’s Republic of China
“Proposed Investment”	the proposed investment of formation of a joint venture company as contemplated under the Framework Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Sino Prosper Re-energy”	Sino Prosper Re-energy Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board of
Sino Prosper Holdings Limited
Leung Ngai Man
Chairman

* *for identification purpose only*

Hong Kong, 18 December 2006

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

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