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Spread Prospects Holdings Limited

展鴻控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

PROPOSED ISSUE OF HK\$30 MILLION CONVERTIBLE NOTE

The Directors are pleased to announce that on 1st December, 2004, the Company and Value Partners have entered into a conditional Subscription Agreement in connection with the subscription by Value Partners or funds under its management of HK\$30 million convertible note to be issued by the Company.

As set out in the Subscription Agreement, the Note are convertible into Conversion Shares at an initial conversion price of HK\$0.66 per Share, subject to adjustment. The maximum number of new Shares which may be issued upon full conversion of the Note is 45,454,545 Shares, representing approximately 10.75% and approximately 9.71% of the existing issued share capital and the enlarged issued share capital respectively of the Company. The Note will not be listed on the Stock Exchange.

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

The issue of the Note will, upon completion, raise HK\$30 million. Subject to the Subscription Agreement becoming unconditional, the Company intends to use the said proceeds for expanding the production facilities and purchasing of machineries in the factory located in Fuqing, the P.R.C..

The terms of the Subscription Agreement and the Note were agreed between the Company and Value Partners after arm's length negotiation. The Directors consider that the Subscription Agreement was entered into on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Trading in the Shares was suspended on the Stock Exchange from 2:30 p.m. on 1st December, 2004 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 3rd December, 2004.

THE SUBSCRIPTION AGREEMENT

Date

1st December, 2004

Parties

- (1) The Company; and
- (2) Value Partners

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon, inter alia, the satisfaction of the following condition:-

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which the Company and Value Partners have no reasonable objection) listing of and permission to deal in the Conversion Shares; and
- (b) the Company delivering to Value Partners an opinion from a firm of Cayman Islands lawyers acceptable to the Subscriber confirming the legality, enforceability, validity and the due execution of the Note (after it is issued), that the issue of the Note and the issue and allotment of the Conversion Shares upon the exercise of the Conversion Rights or otherwise pursuant to the Conditions comply with the requirements of applicable Cayman Islands law.

Completion

Subject to the fulfillment of the conditions in the Subscription Agreement, the Company will issue, and Value Partners will subscribe or procure funds under management by Value Partners to subscribe for the Note in the aggregate principal amount of HK\$30 million.

Completion of the Subscription shall take place on the 3rd Business Days following the date on which all the conditions precedent are fulfilled.

Principal Terms of the Note

- Issuer : The Company
- Principal Amount : HK\$30,000,000
- Maturity Date : The date falling 2 years from the date on which the Note are issued.
- Interest : The Note shall bear the interest at 4% per annum on the principal amount of the Note outstanding from time to time payable by the Company once every six months in arrears at the end of each six-month period between the date of issue of the Note and the Maturity Date.

- Conversion : The Noteholder may convert whole or part of the principal amount of the Note into Conversion Shares at any time after the expiry of 6 months from the date of issue of the Note.
- Conversion Price : The initial conversion price is HK\$0.66 per Share, subject to adjustment in the event of share consolidation, sub-division, etc. (if any). This price represents (i) a premium of 6.45% over the closing price of HK\$0.62 per Share on 30th November, 2004, being the last trading day immediately prior to the date of this announcement; (ii) a premium of 6.45% over the closing price of HK\$0.62 for the last 5 trading days immediately prior to the date of this announcement; and (iii) a premium of 7.14% over the average closing price of HK\$0.616 for the last 10 trading days immediately prior to the date of this announcement.
- Maturity : Unless previously converted into the Shares, the Note will be redeemed by the Company at its principal amount outstanding together with accrued interest thereon up to and including the Maturity Date on the Maturity Date.
- Status : The Note constitute general, unconditional, unsecured, unsubordinated obligations of the Company and rank, and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.
- Listing : No application will be made for a listing of the Note on the Stock Exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Transferability : The Note shall not be assigned or transferred in whole or in part except with the prior written consent of the Company, which consent shall not be unreasonably withheld. The Noteholder shall give written notice to the Company about the intended transfer at least 7 Business Days prior to the intended date of transfer.
- The Company will inform the Stock Exchange if the Note are transferred to a connected person of the Company in future.
- Voting Rights : The Noteholder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Noteholder.

Information on the Subscriber

Value Partners Limited is a company incorporated in the British Virgin Islands whose principal business is fund management. As confirmed by Value Partners, save and except from the holding of approximately 2.33% of the shareholding interests in the Company by funds under its management, it is independent of and not connected with the Directors, chief executive, substantial shareholder of the Company or any of its subsidiaries or an associate of any of them.

Use of Proceeds and Reasons for the issue of the Note

The net proceeds of the issue of the Note, after deducting related expenses will be approximately HK\$29.8 million. The Directors intend to apply the net proceeds for expanding the production facilities and purchasing of machineries in the factory located in Fuqing, the P.R.C..

The Directors consider that the issue of the Note is an appropriate means through which the Company can raise funds with no immediate dilution effect on the shareholding structure of the Company. The terms of the Subscription Agreement and the Note were agreed between the Company and Value Partners after arm's length negotiation. The Directors consider that the Subscription Agreement was entered into on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Fund Raising in the 12 Months Immediately Preceding the Date of this Announcement

Description	Announcement date	Net proceeds raised	Date of mandate granted	Intended use of proceeds as announced	Actual use of proceeds
Placing of existing shares, subscription for new shares	3 June 2004	HK\$24.5 million	2 June 2003	HK\$20 million will be applied for the purchase of additional machinery in the Fenyang factory. The balance of the net proceeds will be used as general working capital for the Group.	Nil ^{Note}

Note: The expansion plan for the Fenyang factory will be carried out in 2005.

Shareholding structure of the Company

The maximum number of Conversion Shares which may be issued upon full conversion of the Note is 45,454,545 Shares, representing approximately 10.75% and approximately 9.71% of the existing issued share capital and the enlarged issued share capital of the Company respectively.

The following table summarises the shareholding structure of the Company as at the date of this announcement and immediately upon full conversion of the Note (assuming none of the subscription rights attaching to the outstanding Options granted under the share option scheme of the Company has been exercised):

Name of Shareholders	Number of Shares held and approximate percentage of shareholding as at the date of this announcement		Number of Shares held and approximate percentage of shareholding immediately upon full conversion of the Note	
	Shares	%	Shares	%
Fu Teng Global Limited (Note 1)	220,900,000	52.25%	220,900,000	47.18%
China Plaza Tradings Limited (Note 2)	24,000,000	5.68%	24,000,000	5.13%
Funds under management by Value Partners	9,840,000	2.33%	55,294,545	11.81%
Public	<u>168,060,000</u>	<u>39.74%</u>	<u>168,060,000</u>	<u>35.88%</u>
Total Shares	<u>422,800,000</u>	<u>100%</u>	<u>468,254,545</u>	<u>100%</u>

Notes: -

1. The entire issued share capital of Fu Teng Global Limited is beneficially owned by Mr. Yang Zongwang, the Chairman of the Group and an executive director of the Company.
2. The entire issued share capital of China Plaza Tradings Limited is beneficially owned by Mr. Lam Tun Kam, an independent third party not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

General

The Group is principally engaged in manufacturing and sale of tinsplate cans for the packaging of foods and beverage in the PRC.

The Conversion Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 18th June, 2004.

Trading in the Shares was suspended on the Stock Exchange from 2:30 p.m. on 1st December, 2004 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 3rd December, 2004.

As at the date of this announcement, the directors of the Company are as follows:

Executive directors:	Yang Zongwang	Independent non-executive	Tong Hing Wah
	Xue Xi	directors:	Chong Hoi Fung
	Xue De Fa		Ng Wai Man
	Ng Kin Sun		
	Liu Zhi Qiang		

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Company”	Spread Prospects Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	Completion of the Subscription Agreement
“Conversion Rights”	The rights attached to the Note pursuant to which the Noteholder is entitled to convert the principal amount or a part of the Note into Shares
“Conversion Share(s)”	The Share(s) to be issued upon conversion of the Note
“connected person”	Has the meaning ascribed thereto under the Listing Rules
“Directors”	Directors of the Company, including independent non-executive directors
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	The date falling 2 years from the date on which the Note are issued
“Note”	Convertible Note in the aggregate principal amount of HK\$30 million to be issued by the Company under the Subscription Agreement
“Noteholder”	the person who is for the time being the registered holder of the Note
“Options”	The 30,000,000 outstanding options granted by the Company under the share option scheme adopted by the Company on 2nd June, 2003

“P.R.C.”	the People’s Republic of China
“Shares”	Ordinary shares of nominal value of HK\$0.10 each in the capital of the Company
“Shareholders”	Holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	The subscription by funds under management by Value Partners for the Note on the terms and subject to the conditions set out in the Subscription Agreement
“Subscription Agreement”	The conditional subscription agreement dated 1st December, 2004 entered into between the Company and Value Partners relating to the Subscription
“Value Partners”	Value Partners Limited, a company incorporated in the British Virgin Islands whose principal business is fund management

On behalf of the Board
Yang Zongwang
Chairman

Hong Kong, 2nd December, 2004

Please also refer to the published version of this announcement in The Standard.