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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)

**PLACING OF EXISTING SHARES  
AND  
SUBSCRIPTION FOR NEW SHARES**

**Placing Agent**



**華富嘉洛證券有限公司**  
**Quam Securities Company Limited**

**Placing of existing Shares and subscription of new Shares**

On 5 October 2006, Fu Teng, the controlling Shareholder, entered into an agreement with Quam Securities and the Company. Pursuant to the Agreement, Fu Teng agreed to place 21,000,000 existing Shares through Quam Securities, on a best effort basis, at a placing price of HK\$0.80 per Share and Fu Teng also agreed to subscribe 21,000,000 new Shares at a subscription price of HK\$0.80 per Share. Further announcement will be made by the Company in the event that the number of Shares placed or subscribed is less than 21,000,000 Shares.

The Placing Price represents (i) a discount of around 2.44% to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on 5 October 2006, being the date on which the terms of the Agreement were fixed; and (ii) a discount of about 3.61% to the average closing price of about HK\$0.83 per Share for the last 10 trading days up to and including 5 October 2006.

21,000,000 Placing Shares represents around 4.92% of the Company's existing issued share capital and around 4.69% of the issued share capital as enlarged by the issue of the Subscription Shares. The number of Placing Shares is equal to the number of Subscription Shares.

Assuming that 21,000,000 new Shares are subscribed by Fu Teng, the net proceeds from the Subscription will be about HK\$16.1 million, which will be applied as general working capital of the Group.

## **Suspension and resumption of trading of the Shares**

Trading in the Shares was suspended with effect from 9:30 a.m. on 6 October 2006 at the request of the Company pending the release of this announcement. Application has been made for the resumption of trading of the Shares with effect from 9:30 a.m. on 9 October 2006.

### **1. THE PLACING AND SUBSCRIPTION AGREEMENT DATED 5 OCTOBER 2006**

#### **1.1 PARTIES TO THE AGREEMENT**

- (i) The Company;
- (ii) Fu Teng, the controlling Shareholder, currently owns around 51.79% of the Company's issued share capital; and
- (iii) Quam Securities, the placing agent.

#### **1.2 THE PLACING**

##### **Placing Agent**

Quam Securities has been appointed as the exclusive placing agent for the Placing on a best effort basis. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Quam Securities and its ultimate beneficial owners are third parties independent of the Company, its subsidiaries and its connected persons (as defined in the Listing Rules).

Quam Securities will receive a placement commission of 2.5% on the gross proceeds of the Placing, which was arrived at after arm's length negotiations between the Company and Quam Securities under normal commercial terms.

##### **Number of Placing Shares**

21,000,000 existing Shares represents around 4.92% of the Company's existing issued share capital and around 4.69% of the issued share capital as enlarged by the issue of the Subscription Shares. The number of Placing Shares is equal to the number of the Subscription Shares. Further announcement will be made by the Company in the event that the number of Shares placed or subscribed is less than 21,000,000 Shares.

##### **Placee**

Quam Securities has agreed to use its best endeavours to procure that the Placee(s) and its / their ultimate beneficial owner(s) are third parties not connected with the Company and its connected persons (as defined under the Listing Rules). It is expected that no Placee will become a substantial Shareholder as a result of the Placing and the Subscription.

Quam Securities intends to place all the Placing Shares to SFP Fund, a Shareholder which is principally engaged in investment holding. SFP Fund currently owns 21,186,000 Shares, representing around 4.97% of the Company's existing issued share capital. Save as aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, SFP Fund and its ultimate beneficial owners are third parties independent of and not connected with the Company, its subsidiaries and its connected persons (as defined in the Listing Rules).

### **Placing Price**

HK\$0.80 per Placing Share represents:

- (i) a discount of around 2.44 % to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on 5 October 2006, being the date on which the terms of the Agreement were fixed; and
- (ii) a discount of about 3.61 % to the average closing price of about HK\$0.83 per Share for the last 10 trading days up to and including 5 October 2006.

The Placing Price was determined after arm's length negotiations between the parties to the Agreement. The Board considers that the Placing Price is fair and reasonable so far as the Company and the Shareholders are concerned.

### **Rights of the Placing Shares**

The Placing Shares will be sold by Fu Teng free from all third party rights. Upon completion of the Placing, the Placee(s) will be entitled to all rights attaching to the Placing Shares as at the date of completion of the Placing, including the right to receive all dividends and other distributions which may be declared, made or paid by the Company in respect of the Placing Shares, the record date for which shall fall on or after the date of completion of the Placing.

### **Completion of the Placing**

The Placing is expected to be completed on or before 11 October 2006 or such other date as Fu Teng and Quam Securities may agree in writing.

## **1.3 THE SUBSCRIPTION**

### **Subscriber**

Fu Teng

### **Issuer**

The Company

## **Number of Subscription Shares**

21,000,000 new Shares will be issued by the Company to Fu Teng, representing (i) around 4.92% of the existing issued share capital of the Company; and (ii) around 4.69% of the issued share capital as enlarged by the Subscription Shares.

## **Mandate to Issue the Subscription Shares**

The Subscription Shares will be issued pursuant to the general mandate granted to the Board by the Shareholders on 6 June 2006. Under such general mandate, the Directors are allowed to allot and issue up to 84,560,000 Shares. As at the date of this announcement, no Share has been allotted and issued pursuant to the general mandate.

## **Subscription Price**

The subscription price of HK\$0.80 per Subscription Share is equal to the Placing Price.

The Company will bear all the costs and expenses of the Placing and the Subscription.

The net price per Subscription Share is about HK\$0.77 after adjusting for the expenses of the Placing and the Subscription.

## **Conditions of the Subscription**

Completion of the Subscription is conditional upon: -

- (i) completion of the Placing pursuant to the Agreement; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

All of the above conditions cannot be waived.

## **Rights of the Subscription Shares**

The Subscription Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the existing Shares in issue on the date of allotment and issue of the Subscription Shares.

## **Completion of the Subscription**

The Subscription is expected to be completed on or before 19 October 2006.

In the event that the above conditions are not satisfied within 14 days of the date of the Agreement, being 19 October 2006, or such later date as may be agreed between Fu Teng and Quam Securities, all rights and obligations under the Agreement will cease and terminate. If the Subscription Shares are not subscribed by Fu Teng within 14 days after the date of the Agreement, the Subscription would not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and would be subject to the relevant requirements of the Listing Rules regarding connected transactions, including the approval of the independent Shareholders.

## 2. EFFECTS OF THE PLACING AND THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

|          | Immediately before the Placing and the Subscription |                | Immediately after completion of the Placing but before the Subscription<br>(Note 1) |                | Immediately after completion of the Placing and the Subscription<br>(Note 2) |                |
|----------|---|----------------|---|----------------|--|----------------|
|          | Number of Shares                                    |                | Number of Shares  |                | Number of Shares   |                |
| Fu Teng  | 220,900,000   | 51.79%         | 199,900,000   | 46.87%         | 220,900,000  | 49.36%         |
| Public:  |   |                |   |                |  |                |
| SFP Fund | 21,186,000  | 4.97%          | 42,186,000  | 9.89%          | 42,186,000   | 9.43%          |
| Others   | <u>184,414,000</u>                                  | <u>43.24%</u>  | <u>184,414,000</u>  | <u>43.24%</u>  | <u>184,414,000</u>   | <u>41.21%</u>  |
| Total    | <u>426,500,000</u>                                  | <u>100.00%</u> | <u>426,500,000</u>  | <u>100.00%</u> | <u>447,500,000</u>   | <u>100.00%</u> |

Notes:

1. Assuming that there is no change in the total issued share capital of the Company.
2. Assuming that there is no change in the total issued share capital of the Company other than the Subscription.

## 3. APPLICATION TO THE STOCK EXCHANGE

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

## 4. REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of tinsplate cans and provision of tinsplate lacquering and printing services in the PRC.

Assuming that 21,000,000 new Shares are subscribed by Fu Teng, the net proceeds of the Subscription will be about HK\$16.1 million, which will be applied as general working capital of the Group.

The Directors are of the view that the Placing and the Subscription will strengthen its capital base. The Directors also consider that the Agreement is under normal commercial terms. Therefore, the Directors consider the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 5. FUND RAISING IN THE PAST 12 MONTHS

The Company raised net proceeds of about HK\$1,350,000 from the issue of unlisted warrants in May 2006. The Company has applied all of the proceeds as general working capital of the Group as originally planned.

Up to the date of this announcement, the aforesaid warrants have not been exercised. If the warrants are exercised by the warrant holder in full at the initial subscription price, the Group will raise an additional amount of about HK\$33.44 million, which will be used as working capital on general corporate purposes.

Save as disclosed above, the Company did not have any fund raising activities in the past 12 months.

## **6. SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares was suspended with effect from 9:30 a.m. on 6 October 2006 at the request of the Company pending the release of this announcement. Application has been made for the resumption of trading of the Shares with effect from 9:30 a.m. on 9 October 2006.

## **7. GENERAL**

As at the date of this announcement, the Board comprises Messrs. Yang Zongwang, Xie Xi, Xue De Fa, Ng Kin Sun and Liu Zhi Qiang as executive Directors and Messrs. Tong Hing Wah, Chong Hoi Fung and Ng Wai Man as independent non-executive Directors.

## **8. DEFINITIONS**

|                 |   |
|-----------------|---|
| “Agreement”     | the placing and subscription agreement dated 5 October 2006 entered into by the Company, Fu Teng and Quam Securities in relation to the Placing and the Subscription  |
| “Board”         | the board of Directors  |
| “Company”       | Spread Prospects Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange  |
| “Director(s)”   | the director(s) of the Company  |
| “Fu Teng”       | Fu Teng Global Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is held by Mr. Yang Zongwang, an executive Director and the Chairman of the Company |
| “Group”         | the Company and its subsidiaries  |
| “HK\$”          | Hong Kong dollar(s), the lawful currency of Hong Kong   |
| “Hong Kong”     | The Hong Kong Special Administrative Region of the PRC  |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “Placee(s)”     | any professional, institutional or other investor(s) procured by Quam Securities to purchase the Placing Shares   |
| “Placing”       | private placing of the Placing Shares by Quam Securities pursuant to the Agreement  |

|                       |  |
|-----------------------|--|
| “Placing Price”       | HK\$0.80 per Placing Share   |
| “Placing Shares”      | 21,000,000 existing Shares owned by Fu Teng to be placed under the Placing   |
| “PRC”                 | The People’s Republic of China   |
| “Quam Securities”     | Quam Securities Company Limited  |
| “SFP Fund”            | The SFP Asia Master Fund Ltd., a Shareholder which owns 21,186,000 Shares, representing 4.97% of the Company’s existing issued share capital |
| “Share(s)”            | share(s) of HK\$0.10 each in the capital of the Company  |
| “Shareholder”         | the holder of the Shares   |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited  |
| “Subscription”        | the conditional subscription for the Subscription Shares by Fu Teng pursuant to the Agreement  |
| “Subscription Shares” | 21,000,000 new Shares to be subscribed by Fu Teng under the Agreement  |
| “%”                   | per cent   |

By Order of the Board  
**Spread Prospects Holdings Limited**  
**Yang Zongwang**  
*Chairman*

Hong Kong, 6 October 2006

Please also refer to the published version of this announcement in China Daily.