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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)

ISSUE OF UNLISTED WARRANTS AND RESUMPTION OF TRADING

On 4 May 2006, the Company entered into the Warrant Instrument with the Subscriber, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the Warrants which carry the right to subscribe for up to 38,000,000 New Shares (subject to adjustment) at an initial Subscription Price of HK\$0.88 per New Share (subject to adjustment) during the period commencing on 21 May 2006 and expiring on 18 May 2009 (both days inclusive). The consideration for the issue of the Warrants is HK\$1,672,000.

The New Shares will be issued under the general mandate granted to the Board at the annual general meeting of the Company held on 3 June 2005. No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 May 2006 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 May 2006.

THE WARRANT INSTRUMENT

Date

4 May 2006

Parties

Issuer: The Company

Subscriber: ABN AMRO Bank N.V.

The Subscriber is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Issue of Warrants

Pursuant to the Warrant Instrument, the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Warrants which carries the right to subscribe for up to 38,000,000 New Shares (subject to adjustment) at an initial Subscription Price of HK\$0.88 per New Share (subject to adjustment) during the period commencing on 21 May 2006 and expiring on 18 May 2009 (both days inclusive, and if either such day is not a Business Day, then the next Business Day following such date), subject to extension by reason of closure of the register for the Warrants during the 5 Business Days prior to the expiration of the Subscription Period which will postpone the Subscription Period until the expiry of a period of five Business Days on which the register for the Warrants is not closed following such closure. One Warrant carries the subscription right to subscribe for one New Share.

Consideration

The consideration for the issue of the Warrants is HK\$1,672,000 (being the equivalent of HK\$0.044 per Warrant and approximately HK\$0.036 per Warrant net of expenses), which is payable in cash by the Subscriber to the Company at Completion.

The Consideration was negotiated on an arm's length basis between the Company and the Subscriber with reference to the Subscription Price. The Directors consider that the Consideration is fair and reasonable in the context of the transactions as a whole.

Completion

Completion of the issue and subscription for the Warrants shall take place on 18 May 2006, provided that, the Subscriber will only be under an obligation to complete the subscription if, no later than the Completion Date (or at such other time as may be mutually agreed between the parties thereto), among other things:

- (a) the Company shall deliver to the Subscriber a legal opinion issued by a Cayman Islands counsel regarding the Company and the transactions contemplated by the Warrant Instrument;
- (b) there having been, as at the Completion Date, no material adverse change or any development involving a prospective material adverse change in the financial condition, in the business, general affairs, prospects, shareholders' equity, results of operations of the Company or its subsidiaries;
- (c) the representations and warranties by the Company in the Warrant Instrument are true and correct on the Completion Date; and
- (d) the Company shall have performed all of its obligations under the Warrant Instrument to be performed on or prior to Completion Date.

The Subscriber may, at its discretion, waive satisfaction of any of the conditions.

Termination

The Warrant Instrument shall terminate and be of no further effect and no party shall be under liability to any other in respect of the Warrant Instrument (other than in respect of the costs of the Subscriber) if, amongst other things:

- (a) approval for the listing of, and permission to deal in, the Shares to be allotted and issued upon exercise of the subscription rights under the Warrants is not obtained from the Stock Exchange prior to the Completion Date;
- (b) there is any material breach of any of the representations and warranties made by the Company under the Warrant Instrument or there is any change rendering any of those representations and warranties inaccurate in a material respect;
- (c) the Company fails to perform any of its obligations under the Warrant Instrument;
- (d) any of the conditions set forth in the sub-section headed "Completion" above is not satisfied and not waived by the Subscriber; or
- (e) since the date of the Warrant Instrument there has been, in the opinion of the Subscriber such a change, whether or not foreseeable at the date of the Warrant Instrument, in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would in its view be likely to prejudice materially the success of the offering and distribution of the Warrants or dealings in the Warrants in the secondary market.

Principal terms of the Warrants

The principal terms of the Warrants are summarized below:

Number of New Shares Covered by the Warrants

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 38,000,000 New Shares (subject to adjustment), will be issued and allotted, representing approximately 8.99% of the existing issued share capital of the Company and approximately 8.25% of the issued share capital of the Company as enlarged by the issue and allotment of such New Shares.

Subscription period

The Subscription Period shall be for a period commencing on 21 May 2006 and expiring on 18 May 2009 (both days inclusive, and if either such day is not a Business Day, then the next Business Day following such date) subject to extension by reason of closure of the register for the Warrants during the 5 Business Days prior to the expiration of the Subscription Period.

Subscription Price

The initial subscription price per New Share is HK\$0.88 as at the date of issue of the Warrants until 18 May 2007, and thereafter will be HK\$0.88 as adjusted downward by the Company on the first anniversary of the date of issue of the Warrants. The adjusted Subscription Price will be such price in HK\$ as equals the Market Price of Shares determined on the first anniversary of the date of issue of the Warrants (or, if any such day is not a Business Day, the next Business Day), but in no case will be less than HK\$0.71. The Subscription Price is subject to adjustment upon the happening of event(s) set forth in the sub-section headed "Adjustment" below. The adjusted Subscription Price will reduce the aggregate amount of subscription moneys payable on exercise of the Warrants issued under the Warrant Instrument.

The initial Subscription Price of HK\$0.88 per New Share (subject to adjustment) represents a discount of approximately 11.11% of the audited net asset value per Share of approximately RMB\$1.03 (equivalent to approximately HK\$0.99) as of 31 December 2005, as set out in the annual report of the Company for 2005.

The initial Subscription Price represents:

- (a) a premium of approximately 1.15% to the closing price of HK\$0.87 per Share on 3 May 2006;
- (b) a premium of approximately 11.39% to the 5-day average closing price of approximately HK\$0.79 per Share from 26 April 2006 to 3 May 2006; and
- (c) a premium of approximately 12.82% to the 10-day average closing price of approximately HK\$0.78 per Share from 19 April 2006 to 3 May 2006.

The Directors considered that the Subscription Price was fair and reasonable in the context of the transactions as a whole.

Adjustment

Subject to the terms and conditions of the Warrants Instruments and the Warrants, the Subscription Price and the number of Shares issuable under the Warrants may be subject to adjustment upon, among other things:

- (a) an offer of new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings;
- (b) an issue by the Company of Shares credited as fully-paid to the holders of Shares by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders);
- (c) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

- (d) the merger or consolidation of the Company with or into any other corporation, or the sale or transfer of all or substantially all of its assets;
- (e) an issue for cash of any securities convertible into or exchangeable for new Shares;
- (f) an issue of Shares for the acquisition of assets for a consideration resulting the price per Share in such issue less than the greater of either the closing price per Share at the date of the announcement of such issue or the Subscription Price; and
- (g) where the Company and the holders of the Warrants so agree in good faith that corresponding adjustments should be made as a result of one or more events or circumstances which may occur.

The Directors consider that these adjustment events are in line with market practice.

Transferability

The Warrants shall be in registered form and each Warrant may be transferable, so long as any such transfer shall not be in contravention of any applicable laws or Stock Exchange rules, regulations and approval requirements. In the event a holder of a Warrant assigns or transfers the Warrant to any person who it is aware is a connected person (as defined in the Listing Rules) of the Company, it shall notify the Company of such transfer in writing.

Ranking of the New Shares

The New Shares, when issued and allotted, will rank pari passu with the fully paid Shares in issue on the relevant Subscription Date.

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If at any time the aggregate of the amount of subscription moneys attached to the outstanding Warrants is equal to or less than the amount of HK\$3,344,000, being 10 per cent. of the amount of HK\$33,440,000, which is the aggregate amount of subscription moneys payable on exercise of all the Warrants issued under the Warrant Instrument at the initial Subscription Price of HK\$0.88 per New Share, then the Company may, on giving not less than three months' notice, require the holders of the Warrants either to exercise their subscription rights under the Warrants or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to holders of such Warrants. The said amount of HK\$3,344,000 is not subject to adjustment of the Subscription Price.

Voting

The Warrants do not entitle the holders to attend and vote at any meetings of the Company.

General

The New Shares will be issued pursuant to the general mandate granted by the Shareholders at the annual general meeting of the Company held on 3 June 2005, pursuant to which, the Company shall be entitled to issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution, being up to 84,560,000 new Shares, which remains unutilized as at the date of this announcement.

No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.

SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming the subscription right attaching to the Warrants are exercised in full by the Subscriber, the shareholding of the Subscriber and the substantial Shareholders immediately before and after such exercise of the subscription right will be as follows:

	Existing shareholding	Approximate percentage (%)	Assuming full exercise of subscription rights attaching to the Warrants	Approximate percentage (%)
Fu Teng Global Limited (Note 1)	220,900,000	52.25	220,900,000	47.94
Penta Investment Advisors Ltd.	33,940,000	8.02	33,940,000	7.37
Subscriber	0	0	38,000,000	8.25
Other public Shareholders	167,960,000	39.73	167,960,000	36.44
TOTAL	422,800,000	100	460,800,000	100

Note:

- (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.

REASONS FOR THE ISSUE OF THE WARRANTS AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of tinplate cans for the packaging of foods and beverage in the PRC, and provision of tinplate lacquering and printing services.

The net proceeds to be raised by the Group from the issue of the Warrants (after deducting the expenses such as legal fees relating thereto from the gross proceeds of HK\$1,672,000) will amount to approximately HK\$1,350,000. The Company does not have current concrete

plan for the use of the net proceeds and it will be used as working capital on general corporate purposes. If the Warrants are exercised in full at the initial Subscription Price of HK\$0.88 per New Share, the Group will raise an additional amount of approximately HK\$33,440,000, which will be used as working capital on general corporate purposes.

The Directors are of the view that although the issue of the New Shares upon exercise of the subscription rights attaching to the Warrants will lead to a dilution effect on the shareholding of the Company, it will strengthen the financial position of the Company and the Directors consider the issue of the Warrants to be in the best interest of the Company and the Shareholders as a whole.

The Directors have considered alternative means to raise funds, such as bank borrowings, and decided that the costs for issuing the Warrants will be more favourable as no interest is payable as bank borrowings. Therefore, the Directors considered the terms and conditions of the Warrant Instrument and the Warrants were among the best terms obtainable under the current market sentiment and the prevailing market interest rates.

The terms and conditions of the Warrant Instrument and the Warrants, were negotiated on an arm's length basis and agreed on normal commercial terms between the Company and the Subscriber and the Directors consider that such terms are fair and reasonable and the entering into of the Warrant Instrument are in the interests of the Company and the Shareholders as a whole.

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

Within the 12 months immediately prior to the date of this announcement, the Company did not conduct any fund raising activities.

OUTSTANDING EQUITY CONVERTIBLE SECURITIES

As at the date of this announcement, options in respect of 30,000,000 Shares granted under the share option scheme adopted by the Company on 2 June 2003 and convertible notes in the principal sum of HK\$30,000,000 at conversion price of HK\$0.63 per Share issued on 13 December 2004 are outstanding. Save as disclosed herein, the Company does not have any outstanding equity convertible securities.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 May 2006 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 May 2006.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday and days on which a tropical cyclone warning No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong, Clearstream, Luxembourg and Euroclear are open for counter business
“Company”	Spread Prospects Holdings Limited, a company incorporated in Cayman Islands with limited liability with its issued Shares listed on the Stock Exchange
“Completion”	completion of the issue and subscription for the Warrants
“Completion Date”	18 May 2006
“Consideration”	the consideration for the issue of the Warrants in the sum of HK\$1,672,000
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Price”	the volume-weighted average of the prices at which Shares were traded in transactions effected on the Stock Exchange (as quoted on the Stock Exchange) for the twenty (20) trading days ending on the trading day preceding the day on or as of which the Market Price is to be ascertained
“New Shares”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants by the holders thereof
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Subscriber”	ABN AMRO Bank N.V., an investment bank
“Subscription Date”	in relation to any Warrant, the Business Day on which any of the subscription rights represented by the relevant Warrant(s) are duly exercised, provided that if such subscription rights are exercised during a period in which the register of members of the Company maintained in Hong Kong is closed, the Subscription Date shall be the close of business on the next following business day on which such register is open
“Subscription Period”	the period commencing on 21 May 2006 and expiring on 18 May 2009, (both days inclusive, and if either such day is not a business day, then the next Business Day following such date), subject to extension by reason of closure of the register for the Warrants during the 5 Business Days prior to the expiration of the Subscription Period, during which holders of the Warrants are entitled to subscribe for the New Shares by exercising the subscription rights attaching to the Warrants
“Subscription Price”	the sum payable in respect of each New Share to which a holder of a Warrant will be entitled upon exercise of the subscription rights represented thereby, details of which are set forth in the sub-section headed “Subscription Price” above
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“trading day”	the day on which Shares are traded in transactions effected on the Stock Exchange (as quoted on the Stock Exchange)
“Warrant Instrument”	the Warrant Instrument dated 4 May 2006 entered into between the Company and the Subscriber in respect of the issue and subscription for the Warrants
“Warrants”	unlisted warrants of the Company, to be created by the Warrants Instrument, in registered form conferring rights entitling the registered holder(s) thereof to subscribe for up to 38,000,000 New Shares (subject to adjustment) at the initial Subscription Price (subject to adjustment)

“HK\$” Hong Kong dollars

“%” or “per cent” percentage

Conversion of RMB into HK\$ is based on the exchange rate of RMB1.04 = HK\$1.00.

As at the date of this announcement, Mr. Yang Zongwang, Mr. Xue De Fa, Mr. Xue Xi, Mr. Ng Kin Sun, Mr. Liu Zhi Qiang are the executive directors of the Company and Mr. Tong Hing Wah, Mr. Chong Hoi Fung, Mr. Ng Wai Man, are the independent non-executive directors of the Company.

By order of the board of
Spread Prospects Holdings Limited
Yang Zongwang
Chairman

9 May 2006, Hong Kong

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