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**Spread Prospects Holdings Limited**

**展鴻控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**NEW ISSUE AND OFFER FOR SALE BY WAY OF  
PLACING AND PUBLIC OFFER**

**CLARIFICATION OF CERTAIN INFORMATION IN THE PROSPECTUS AND  
REVISED LISTING TIMETABLE**

*Sponsor*



**Upbest Securities Company Limited**

*Co-sponsors*

**Deloitte & Touche  
Corporate Finance Ltd**

 **CAF Securities**  
wholly owned subsidiary of Agricultural Bank of China

Further to the announcement of the Company dated 17 June 2003, the Company, at the request of the Stock Exchange, would like to clarify certain information disclosed in the Prospectus on the production capacity and the intended use of debt facility and cash balance maintained by the Group.

It is expected that share certificates and/or refund cheques in respect of wholly or partially successful applications will be despatched on 27 June 2003. Dealings in the Shares on the main board of the Stock Exchange are expected to commence on 2 July 2003. Reference should be made to a separate announcement of the Company dated 26 June 2003 in relation to the level of indication of interest in the Placing, results of applications and basis of allocation of the Public Offer Shares.

Terms used in this announcement shall, unless otherwise re-defined in this announcement, have the same meanings as those defined in the prospectus of Spread Prospects Holdings Limited (the “Company”) dated 10 June 2003.

Further to the announcement of the Company dated 17 June 2003, the Company, at the request of the Stock Exchange, would like to clarify certain information disclosed in the Prospectus in relation to the production capacity and the intended use of debt facility and cash balance maintained by the Group.

**Production capacity**

The Prospectus contains information regarding the Group’s production capacity and its utilisation rates at its manufacturing facilities located in Fuqing, Fujian Province, the PRC, and in Fenyang, Shanxi Province, the PRC.

As disclosed on pages 2, 39 and 52 of the Prospectus, for the three years ended 31 December 2002, the total capacity of the Group's tinsplate can production for a 12-month period was approximately 228 million cans, 228 million cans, and 520 million cans respectively. For comparison purposes, the total capacity per annum was calculated on the basis that all the existing manufacturing facilities were in place for a period of 12 months (despite that the new production line in Fuqing and the new production line in Shanxi were only in operation since October 2002), taking account of the normal working days and normal working hours of its employees for each year of the Track Record Period.

It was also stated on pages 2, 39 and 52 of the Prospectus that the Group's production facilities for tinsplate cans were operated at approximately 68%, 78% and 81% of their optimal production capacities during the Track Record Period. The calculation of the optimal production capacity (i.e. approximately 280 million cans, 280 million cans, 357 million cans for each year of the Track Record Period) is made on the bases of the maximum amount of production that may be generated by the actual working days and normal overtime work by its employees and the actual number of months operated by the relevant machinery (i.e. for the two years ended 31 December 2001, 12 months for each of the two existing production lines in Fuqing, and for the year ended 31 December 2002, 12 months for each of the two existing production lines in Fuqing together with about 3 months for the new production line in Fuqing and about 2.3 months for the new production line in Shanxi). The utilisation rate equals the actual production quantity divided by the optimal production capacity for each year of the Track Record Period.

The Directors would like to clarify that, due to a typographical error, page 44 of the Prospectus refers to the "optimal production capacity" of 520 million cans per annum. This reference should be to the "total production capacity", the calculation of which is explained above.

The relevant disclosure in the Prospectus has adopted different terminologies (i.e. total capacity and optimal production capacity) in order to avoid confusion. Other parts of the Prospectus contain information on the number of months in respect of which each production line was in operation.

### **Intended use of debt facility and cash balance maintained by the Group**

As at 31 March 2003, the Group had cash on hand and at banks of approximately RMB95.1 million. As disclosed on page 73 of the Prospectus, as at 31 March 2003, the Group's outstanding bank borrowings of RMB48.5 million were secured by corporate guarantees provided by 福建福銘食品有限公司 (Fujian Fuming Food Co., Ltd.), a company indirectly held as to 50% by a brother of Mr. Yang, who is also the chairman of that company.

The Directors would like to clarify the reason for not repaying such bank loans of RMB48.5 million in view of the available cash on hand and at banks. While the Company does not have a stated policy to adhere to any specific debt to equity ratio, the Directors consider that a high level of liquidity is generally beneficial to the Company and its shareholders as a whole in order to allow the Group to take advantage of any business growth opportunities. In addition, the relevant loans are not immediately repayable as they are term loans of which an aggregate of RMB41.5 million is repayable by the end of 2003, while the remaining RMB7.0 million is repayable by the end of 2005. As such, the loans were not/ have not been

repaid despite that the Group had RMB95.1 million cash on hand and at banks as at 31 March 2003. The Directors also wish to confirm that they have not yet identified or decided to implement any business expansion plans which require significant cash outlay, other than as disclosed in the Prospectus.

### **Recent press reports**

The Directors noted that there had been many speculations in various press articles about the delay in the listing timetable of the Company. Some of the articles contain inaccurate, groundless and defamatory allegations against the Company. The Directors are most disappointed that some of the Hong Kong press should make unsubstantiated, unconfirmed, distorted and biased reports about the Company. The Directors are considering taking appropriate legal actions and reserve all rights of the Company to do so.

### **Revised listing timetable**

Following the announcement of the Company dated 17 June 2003 in relation to the delay in the listing timetable, it is expected that share certificates and/or refund cheques in respect of wholly or partially successful applications will be despatched on 27 June 2003. Dealings in the Shares on the main board of the Stock Exchange are expected to commence on 2 July 2003. Reference should be made to a separate announcement of the Company dated 26 June 2003 in relation to the level of indication of interest in the Placing, results of applications and basis of allocation of the Public Offer Shares.

The Company has confirmed that applicants who have applied for the Public Offer Shares and requested for a refund in respect of their application are not entitled contractually to such refund once their applications have been accepted based on the terms and conditions set out in the Prospectus and the application forms, notwithstanding the clarification requested by the Stock Exchange as set out in this announcement and the delay in the indicative timetable set out in the Prospectus. Given that those successful applicants have already been allotted the Offer Shares and have become members of the Company on 17 June 2003 and that the Underwriting Agreement has not been terminated, refund cannot be legally made under the applicable Cayman Islands law, unless the allotment of the Public Offer Shares has become void under the terms of the application as set out in the Prospectus and application forms. The Company, having discussed with the Sponsor, the Co-Sponsors and the Underwriters, has confirmed that it would not consider making any such refund, whether or not there is any such request from the applicants.

The Company, the Sponsor and the Co-sponsors are of the view that the clarification requested by the Stock Exchange as set out in this announcement, do not, by themselves, render any statements and information in the Prospectus inaccurate or misleading in any material respects.

By Order of the Board  
**Yang Zongwang**  
*Chairman*

Hong Kong, 26 June 2003

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