



Spread Prospects Holdings Limited

展鴻控股有限公司

(Incorporated in the Cayman Islands with limited liability)

2003 FINAL RESULTS ANNOUNCEMENT

FINANCIAL SUMMARY

The Board of Directors (the “Board”) of Spread Prospects Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 as follows:-

CONSOLIDATED INCOME STATEMENT

	<i>NOTES</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover	3	337,588	262,506
Cost of sales		<u>(216,955)</u>	<u>(162,356)</u>
Gross profit		120,633	100,150
Other operating income		1,122	1,398
Selling expenses		(11,904)	(7,170)
Administrative expenses		<u>(8,444)</u>	<u>(3,833)</u>
Profit from operations	4	101,407	90,545
Finance costs	5	<u>(2,871)</u>	<u>(3,265)</u>
Profit before taxation		98,536	87,280
Taxation	6	<u>(19,818)</u>	<u>(11,320)</u>
Net profit for the year		<u>78,718</u>	<u>75,960</u>
Earnings per share - basic (RMB)	7	<u>0.228</u>	<u>0.253</u>

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Hong Kong Financial Reporting Standard (“HKFRS”) — the Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income taxes” issued by the Hong Kong Society of Accountants (the “HKSA”). The term of HKFRS is inclusive of SSAPs and interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the year.

Business segments

For management reporting purposes, the Group is currently organised into two divisions - (a) manufacture and sale of tinplate cans; and (b) provision of tinplate lacquering and printing services in the People's Republic of China (the "PRC").

The Group's operation by business segment is as follows:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Income statement		
Turnover - external		
Manufacture and sale of tinplate cans	292,004	218,711
Tinplate lacquering and printing services	<u>45,584</u>	<u>43,795</u>
	<u>337,588</u>	<u>262,506</u>
Segment result		
Manufacture and sale of tinplate cans	86,230	72,064
Tinplate lacquering and printing services	<u>20,753</u>	<u>21,247</u>
	106,983	93,311
Unallocated corporate expenses	<u>(5,576)</u>	<u>(2,766)</u>
Profit from operations	101,407	90,545
Finance costs	<u>(2,871)</u>	<u>(3,265)</u>
Profit before taxation	98,536	87,280
Taxation	<u>(19,818)</u>	<u>(11,320)</u>
Net profit for the year	<u>78,718</u>	<u>75,960</u>

No geographical segment analysis is shown as the Group's operating businesses are substantially carried out in the PRC.

4. PROFIT FROM OPERATIONS

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration	1,787	329
Other staff costs	6,899	5,193
Retirement benefit cost, other than directors	<u>51</u>	<u>38</u>
Total staff costs	<u>8,737</u>	<u>5,560</u>
Auditors' remuneration	651	639
Depreciation and amortisation of property, plant and equipment	5,108	4,721
Minimum lease payments in respect of:		
- land and buildings	879	155
- machinery and equipment	1,500	375
and after crediting:		
Interest income	696	126
Reversal of allowance for bad and doubtful debts	<u>—</u>	<u>53</u>

5. FINANCE COSTS

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years		
- bank borrowings	2,850	3,217
- other borrowings	1	38
Bank charges	<u>20</u>	<u>10</u>
	<u>2,871</u>	<u>3,265</u>

6. TAXATION

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC	<u>19,818</u>	<u>11,320</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong (2002: Nil).

The Group and the Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date (2002: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year of RMB78,718,000 (2002: RMB75,960,000) and the weighted average of 344,916,164 shares (2002: 300,000,000 shares) that would have been in issue throughout the year. The 300,000,000 shares that were issued prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and pursuant to the Reorganisation (details of the Reorganisation are set out in the prospectus dated 10 June 2003 issued by the Company) are treated as if they had been in issue throughout both years.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares outstanding during both years.

8. DIVIDEND

No dividend has been paid by the Company since its incorporation. The final dividend of RMB0.04 (equivalent to approximately HK\$0.038) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The following dividends were paid by the Company's subsidiaries to their then shareholders prior to the Reorganisation:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Dividend for 2001 paid	—	25,965
Dividend for 2002 paid	<u>30,000</u>	<u>—</u>
	<u>30,000</u>	<u>25,965</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2003, the Group recorded a turnover of approximately RMB337.6 million (2002: RMB262.5 million), representing a growth of approximately 28.6% as compared to that of the last year. The increase was largely attributable to the rapid growth in the canned food industry in the PRC, and therefore stimulated the sales of the Group.

The Group's gross profit amounted to approximately RMB120.6 million (2002: RMB100.2 million), representing an increase of approximately 20.4% as compared to that of the last year. The improvement in gross profit was mainly due to the Group's success in capitalising on the growth opportunities in the metal container packaging market in the PRC, together with the Group's efforts in operational integration and technological innovation enhancement.

Net profit attributable to shareholders for the year under review amounted to approximately RMB78.7 million (2002: RMB76.0 million), which represented an increase of approximately 3.6% as compared to that of the last year. The net profit margin for the year under review amounted to approximately 23.3% (2002: 28.9%), which represented a decrease of approximately 5.6% as compared to that of the last year. Basic earnings per share was RMB0.228 (2002: RMB0.253).

BUSINESS REVIEW

Manufacture and sale of tinfoil cans

During the year under review, the Group's turnover derived from the manufacture and sale of tinfoil cans increased by approximately 33.5% to RMB292.0 million as compared to that of the last year. The increase in turnover was contributed by the following reasons:

(i) ***Rapid economic growth in the PRC brings infinite opportunities to the packaging industry***

With the accession to WTO, the PRC market is undergoing rapid economic growth. The annual growth rate of the PRC packaging industry is expected to exceed that of GDP of the PRC. In this end, favourable factors are generated for the development of the Group's packaging business in the PRC.

(ii) ***Satisfactory business expansion***

- **Tinfoil cans for food**

During the year under review, the canned food industry experienced a rapid thrive in the PRC market. The Group, favoured by the upsurge development of the industry, achieved substantial growth in its sale of tinfoil cans for food.

- **Consolidate and strengthen the relationship with customers**

In today's highly competitive market, the choice of appropriate business partners becomes crucial to the development of an enterprise. In order to maintain the competitive advantages, in addition to being a product supplier, the Group consistently puts its emphasis on consolidating and strengthening partnership with its customers.

- **Pursuit technological innovation and breakthrough to surpass the competitors**

During the year under review, the Group's research and development department, based on its foundation of printing and colouring techniques, successfully developed lacquering and seam-folding techniques which possess high durability in retaining alcoholic and sugar content as well as high anticorrosion quality. These new techniques of the Group successfully attracted four new customers during the year under review.

- **Business expansion in the sub-plant in Fenyang, Shanxi Province, the PRC**

The business in the Group's sub-plant in Fenyang, Shanxi Province, the PRC recorded a steady growth during the year under review. Under the dedication and valuable contributions of the Group's committed staff, the Group captured a substantial market share in the Shanxi Province in the past year.

Tinplate lacquering and printing services

During the year under review, the Group's turnover for the tinplate lacquering and printing services amounted to approximately RMB45.6 million (2002: RMB43.8 million), which recorded a steady growth of approximately 4.1% as compared to that of the last year. In response to the accelerating demand for high quality artwork from metal container producers, the Group purchased a new supra-speed automated production line for tinplate printing at the end of 2003. Upon installation of the new production line, the Group's overall colour printing production capacity is expected to increase by approximately 40%.

PROSPECTS

In the wake of the prosperous opportunities ahead, the Group will continue to enhance its competitive advantages in order to enlarge its market share and affirm its leading position in the industry. To enhance its competitive edge, the Group is committed to accelerating the integration of its management, sales and human resources departments. The Group dedicates to be the leading packaging group in the PRC through adopting the following prudent development strategies:

(i) *Enhancement of production capacity*

- Two-piece tinplate cans for food

Escalating demand for canned food is observed in the PRC market in recent years. In today's health conscious market, the quality and safety of canned food become an imperative concern for consumers, which in turn stimulates the extensive use of high quality two-piece tinplate cans. In view of the Group's fruitful client base and continuous market expansion of two-piece tinplate cans for food, the Group invested approximately RMB30 million for the purchase of three processing production lines for two-piece tinplate cans, and they are expected to commence operation in the second half of 2004.

- Production line of three-piece tinplate cans for beverages

During the year under review, the Group's certain major customers expanded their beverage production capacities. Following such expansion, these companies entered into agreements with the Group to increase their purchase orders for the purchases of additional tinplate cans for beverages. In order to lessen the production pressure during the peak sale seasons and to fulfill the demand of the major customers, the Group installed a new production line for three-piece tinplate cans for beverages in February 2004, which in turn increased the production capacity of the Group's plant in Fuqing, Fujian Province, the PRC by approximately 30%.

- Colour printing production line

Due to the high demand of printing artwork specification of two-piece tinplate cans, the Group purchased a supra-speed automated colour printing production line at the end of 2003. The production capacity is expected to increase the Group's

total colour printing production capacity by approximately 40%. The new production line can not only satisfy the particular demand of two-piece tinplate cans for food on printing artwork, but also fulfill the accelerating colour printing demand of the Group and its adjacent customers.

(ii) ***Practice of effective cost management and expansion of the Group's sales network***

- Expand the sales and marketing team

The Group plans to recruit 15 to 20 experienced sales and marketing personnel to join the team in Fuqing and Shanxi sub-plant. The Group intends to adopt the practice of central allocation together with effective management in different districts.

- Implementation of appropriate marketing campaigns

To achieve effective sales and marketing purposes, the Group intends to actively participate in various large-scale trade fairs in the PRC so as to improve the Group's market recognition and image.

- Cutting edge in product marketing

The quality of the Group's three-piece tinplate cans for food have strongly fortified the Group's position in the industry. The Group is optimistic about further expansion and is fully geared to explore the new markets for its two-piece tinplate cans for food.

- Improve and enhance internal communication and after-sales services

In order to effectuate effective cost control, improving and strengthening sales services and internal communication between departments become crucial for the Group's long-term development. In addition, provision of high quality products and comprehensive services to customers is the most direct and effective advertising tactic, and meanwhile winning the trust and satisfaction from the customers.

(iii) ***Propelling technological innovation and diversification in research and development***

The Group plans to recruit personnel who possess professional packaging knowledge. The Group plans to proceed with the integration of technological power within the Group. The Group will actively negotiate with the universities in Fujian Province for the feasibility of setting up a research institute, and to jointly conduct researches on a number of technical areas concerning metal packaging and printing.

(iv) *Establishing the Group's leading position via diversification*

In order to further penetrate into the newly spring up markets in the PRC, the Group plans to purchase and install the production line for two-piece tinplate cans for food in the Group's Shanxi plant. In addition, by further enhancing the production capacity of the Group's Shanxi plant for three-piece tinplate cans for beverages, the Group is expected to become the largest tinplate cans production enterprise in the northwestern part of the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2003, the Group generated approximately RMB71.6 million (2002: RMB60.5 million) of cash from operations. As at 31 December 2003, the Group had cash and cash equivalents amounted to approximately RMB164.2 million (2002: RMB79.9 million).

As at 31 December 2003, the Group had aggregate bank loans, which were fully-secured, of approximately RMB44.0 million (2002: RMB48.5 million) comprising short-term bank loans of approximately RMB37.0 million which will be repayable within one year and a long-term bank loan of approximately RMB7.0 million which will be repayable in November 2005. The short-term bank loans were at variable interest rates ranging from 5.841% to 6.435% per annum. The long-term bank loan was at fixed rate of 5.841% per annum.

As at 31 December 2003, the Group's current ratio, as a ratio of current assets to current liabilities, was approximately 3.6 (2002: 2.0) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 13.3% (2002: 24.3%).

PLEDGE OF ASSETS

As at 31 December 2003, bank deposit of RMB765,000 (2002: RMB765,000) was pledged to a bank for trade finance facilities granted to the Group to the extent of the amount of deposits placed with the bank.

CAPITAL COMMITMENTS

As at 31 December 2003, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB31.4 million (2002: RMB1.6 million).

CONTINGENT LIABILITIES

As at 31 December 2003, the Group did not have any material contingent liabilities (2002: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2003, the Group employed a total of 344 employees (2002: 341 employees). The Group's emoluments policies are formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB8.7 million (2002: RMB5.6 million).

The Group operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. As at 31 December 2003, no share option has been granted by the Company under the Scheme.

FOREIGN EXCHANGE EXPOSURE

With respect to foreign exchange exposure, as the Group's transactions were mostly denominated in Renminbi and Hong Kong dollars and the exchange rate between Renminbi and Hong Kong dollar was steady during the year under review, the Group's exposure to foreign exchange fluctuations was minimal and the Group had not used any financial instruments for hedging purposes.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 June 2004 to 18 June 2004, both days inclusive, during which period no transfer of shares will be effected.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company's shares are listed on the Stock Exchange with effect from 2 July 2003. Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the directors passed on 2 June 2003 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

The audit committee consists of both independent non-executive directors, namely, Mr. Tong Hing Wah and Mr. Chong Hoi Fung. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of interim and annual financial statements.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules since the date of listing of the Company's shares, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere thanks to our valuable shareholders, customers for their invaluable assistance and strong support to the continual growth of the Group. I am also grateful to our management and committed staff for their continual dedicated efforts throughout the year.

By Order of the Board
Yang Zongwang
Chairman

Hong Kong, 6 April 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Spread Prospects Holdings Limited (the “Company”) will be held at Renaissance Harbour View Hotel, Boardroom 3-4, M/F, 1 Harbour Road, Wanchai, Hong Kong on 18 June 2004 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31 December 2003.
2. To declare a final dividend, if any.
3. To re-elect directors and to authorize the board of directors to fix their remuneration.
4. To re-appoint auditors and to authorize the board of directors to fix their remuneration.
5. As special businesses, to consider, and if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

A. “**THAT**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of the subscription rights under the share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the memorandum and articles of association of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:-

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company).”

B. “THAT

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:-

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. **“THAT**

conditional upon resolution nos. 5A and 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 5A above.”

SPECIAL RESOLUTION

D. **“THAT**

the articles of association of the Company be amended as follows:

1. by deleting the existing definition of “associates” in Article 1(A) and substituting therefore the following new definition:

“associate(s)” shall have the same meanings as in the rules of the stock exchange in the Relevant Territory as amended from time to time;

2. by re-numbering the existing Article 83 as 83(A) and inserting the new Article 83(B) as follows:

83(B)“Where any shareholder is, under the rules of the stock exchange in the Relevant Territory, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”;

3. by deleting the existing Article 113 in its entirety and that the following new article be inserted in its replacement:

“No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the date after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”;

4. by deleting the existing Article 107(H) in its entirety and that the following new article be inserted in its replacement:

107(H) “A Director shall not vote (nor be counted in the quorum) on any resolution of the Directors approving any contract or arrangement or proposal in which he or any of his associate(s) is/are, to the knowledge of the Director, materially interested, and if he shall do so his vote shall not be counted (nor is he counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligation undertaken by him or any of them for the benefit of the Company or any company in which the Company has interest;
- (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has interest which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part and whether alone or jointly under a guarantee or by the giving of security;
- (iii) any contract or arrangement by the Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the shareholders or debenture or securities holders of the Company or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other shareholders or debenture or securities holders of the Company or to the public;
- (iv) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror(s) or one of the offerors or is/are interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

- (vi) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly or, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director, and any of his associates are, not in aggregate beneficially interested in 5% or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of his associates is derived);
- (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director or his associates may benefit and which has been approved by or is subject to and conditional on approval by the relevant taxing authorities for taxation purposes or relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not give the Director or his associate(s), as such any privilege not accorded to the class of persons to whom such scheme or fund relates;
- (viii) any proposal concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (ix) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associates, officer or employee pursuant to these Articles.”

5. by deleting the existing Article 107(I) in its entirety and that the following new article be inserted in its replacement:

107(I)“A company shall be deemed to be a company in which a Director together with any of his associates owns five (5) per cent. or more of any class of the voting equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he together with his associates is (either directly or indirectly) the holder of or beneficially interested in five (5) per cent. or more of any class of the issued voting equity share capital of such company (or of any third company, other than the Company or any of its subsidiaries, through which his interest is derived) or of the voting rights of any class of shares of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them

has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder, and shares which carry no voting right at general meetings and no or nugatory dividend and return of capital rights.”;

6. by deleting the existing Article 107(J) in its entirety and that the following new article be inserted in its replacement:

107(J)“Where a company (other than a company which is a wholly owned subsidiary of the Company or a subsidiary or associated company of the Company in the voting equity capital of which neither the Director nor any of his associates has any interests) in which a Director together with any of his associates hold five (5) per cent. or more of any class of the voting equity share capital of such company or of the voting rights of any class of shares available to shareholders of the company is materially interested in a transaction, then that Director or his associate(s) shall also be deemed materially interested in such transaction.”; and

7. by deleting the existing Article 107(K) in its entirety and that the following new article be inserted in its replacement:

107(K)“If any question shall arise at any meeting of the Directors as to the materiality of the interest of a Director or his associate(s) or as to the entitlement of any Director to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question (unless it relates to the Chairman) shall be referred to the Chairman and his ruling in relation to such Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the other Directors. If any question as aforesaid shall arise in respect of the Chairman such question shall be decided by a resolution of the Directors (for which purpose the Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of the Chairman as known to him has not been fairly disclosed to the other Directors.””

Yours faithfully,
For and on behalf of the Board of
SPREAD PROSPECTS HOLDINGS LIMITED
Yang Zongwang
Chairman

Hong Kong, 6 April 2004

Principal Office:
Unit 2603, 26th Floor
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Wanchai
Hong Kong

Notes:-

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) The Register of Members of the Company will be closed from 12 June 2004 to 18 June 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for receiving the final dividends and attending the forthcoming Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 11 June 2004.

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