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漢寶集團(龍蝦大王)有限公司

Hon Po Group (Lobster King) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 228)

(1) PROPOSED PLACING OF CONVERTIBLE NOTES
(2) PROPOSED SHARE CONSOLIDATION
(3) CHANGE OF BOARD LOT SIZE
(4) PROPOSED REFRESHMENT OF GENERAL MANDATE
AND
(5) RESUMPTION OF TRADING

(1) PROPOSED PLACING OF CONVERTIBLE NOTES

On 7 February 2005, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which, the Placing Agent has agreed to place, on a best effort basis, to not less than six independent professional, corporate or individual investors the Convertible Notes, which are proposed to be issued in an aggregate principal amount of HK\$40 million in maximum. The Convertible Notes will carry a right to convert into new Shares at the conversion price of HK\$0.02 per Share (subject to adjustment including but not limit to the Share Consolidation). The Conversion Price of HK\$0.02 before Share Consolidation represents (i) a discount of about 69.70% to the closing price of HK\$0.066 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of about 70.06% to the average closing price per Share of about HK\$0.0668 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a discount of about 70.37% to the average closing price per Share of HK\$0.0675 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date. The aggregate net proceeds from the Placing will be about HK\$39.4 million after taking into consideration of the placing commission payable to the Placing Agent and other accrual expenses and will be used as general working capital of the Group.

No application will be made for listing of the Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares falling to be issued upon exercise of the Convertible Notes. The Placing is conditional upon, amongst other things, the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares and the passing of the relevant resolution for the approval of the issue of the Convertible Notes at the EGM by the Shareholders.

(2) PROPOSED SHARE CONSOLIDATION

The Share of the Company was currently traded at less than HK\$0.10, taking into consideration of rule 13.64 of the Listing Rules, the Board proposes that every 5 Shares in the issued and unissued share capital of the Company be consolidated into one Consolidated Share in the issued and unissued share capital of the Company. As at the date of this announcement, there are 756,000,000 Shares in issue and 2,000,000,000 Shares to be issued pursuant to the Placing. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 151,200,000 Consolidated Shares in issue following the Share Consolidation. Assuming all the Convertible Notes are fully converted at HK\$0.10 per Consolidated Share there will be 551,200,000 Consolidated Shares in issue.

(3) CHANGE OF BOARD LOT SIZE

It is also proposed that the Consolidated Shares will be traded in board lots of 20,000. Based on the closing price of HK\$0.066 per Share as at the Last Trading Date, the value of each board lot of 20,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$6,600.

(4) PROPOSED REFRESHMENT OF GENERAL MANDATE

At the date of this announcement, the existing general mandate has been utilized and the board of Directors proposes to refresh the general mandate. The refreshment of the general mandate is subject to the Independent Shareholders' approval at the EGM.

A circular of the Company containing, amongst other things, further details of the Placing, Share Consolidation, the change of board lot size and the refreshment of general mandate, together with notice of EGM will be despatched to the Shareholders as soon as practicable.

Shareholders should note that completion of the Placing Agreement are conditional. Shareholders and potential investors should exercise caution when dealing in the Shares.

(5) RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 8 February 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 22 February 2005.

(1) PLACING OF CONVERTIBLE NOTES

Placing agreement

Date

7 February 2005

Parties involved

The Placing Agent and the Company

Placing Agent

The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, to not less than six independent professional, corporate or individual investors the Convertible Notes which are proposed to be issued in an aggregate principal amount of HK\$40,000,000 in maximum. The placing of the Convertible Notes is carried out in two stages. The first stage of the Convertible Notes with principal amount of HK\$20,000,000 (the “First Notes”) will be issued within seven days upon fulfillment of the Conditions and the second stage of the Convertible Notes with principal amount of HK\$20,000,000 (the “Second Notes”) will be issued within three months upon the successful issuing of the First Notes. The Placing Agent will receive a placing commission of 1% on the gross proceeds of the placing of the Convertible Notes in accordance with the aggregate amount underwritten by it, which was arrived at after arm’s length negotiations between the Company and the Placing Agent.

The Placing Agent is not a connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the Company nor with the directors, chief executive or substantial shareholders of the Company, and any of their subsidiaries or any of their respective associates.

Placees

The Placing Agent will place the Convertible Notes to not less than six placees. Such placees and their ultimate beneficial owners will not be connected person(s) (as defined in the Listing Rules) of the Company and will be independent third parties and not connected with and not acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The placees are independent of each other and not acting in concert in respect of the Company. The Conversion Shares will be issued pursuant to the passing of the relevant resolution at the EGM.

Conditions

The placing of the Convertible Notes is conditional upon, among other things, the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall unreasonably object) listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attached to the Convertible Notes and the passing of the relevant resolution for the approval of the issue of the Convertible Notes at the EGM.

If the conditions are not fulfilled on or before 6 May 2005 or such later date as may be agreed between the Placing Agent and the Company, the Placing Agreement will lapse and become null and void.

Completion

Completion of the Placing Agreement shall take place on the third business day following the date on which the conditions thereto are fulfilled (or such other date as the Company and the Placing Agent shall agree).

The Convertibles Notes

The terms of the Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount

HK\$20,000,000 for the First Notes and HK\$20,000,000 for the Second Notes.

Interest

Non-interest bearing

Maturity

Second anniversary from the date of the issue of the relevant Convertible Notes.

Denomination

In multiple of HK\$50,000.

Conversion Price

HK\$0.02 per Share which is subject to adjustment for the Share Consolidation and any dilutive events, amongst other matters, sub-division or consolidation of Shares, bonus issues and rights issues.

The Conversion Price of HK\$0.02 before Share Consolidation represents (i) a discount of about 69.70% to the closing price of HK\$0.066 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of about 70.06% to the average closing price per Share of about HK\$0.0668 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a discount of about 70.37% to the average closing price per Share of HK\$0.0675 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

Conversion

Each holder may convert the whole or part of the principal amount of the relevant Convertible Note (in multiple of HK\$50,000) into new Shares as determined by dividing the principal amount of the relevant Convertible Note outstanding at the time of conversion by the Conversion Price.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes at the Conversion Price by all holders of the Convertible Notes and Share Consolidation being effective, the Company will issue an aggregate of 400,000,000 new Consolidated Shares, representing approximately 264.55% of the existing issued share capital of the Company before or after Share Consolidation being effective, and approximately 72.57% of the enlarged issued share capital of the Company before or after the Share Consolidation being effective by the Conversion Shares. The Conversion Shares will be issued pursuant to the passing of the relevant resolution at the EGM by the Shareholders.

The market value of the total Conversion Shares will be in aggregate of HK\$132 million based on the closing price of HK\$0.066 per Share on 7 February 2005 being the Last Trading Day.

Conversion period

Each of the holders of the Convertible Notes shall have the right at any time after the date of issue of the relevant Convertible Note to convert all or part of the principal amount of the relevant Convertible Note outstanding at any time into new Shares at the Conversion Price provided that an integral multiple of HK\$50,000 be converted at any time and save that if the outstanding principal amount of the relevant Convertible Notes is less than HK\$50,000 the whole (but not part only) of the outstanding principal amount of the relevant Convertible Note must be converted.

Ranking

The Conversion Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Placing Limit

The principal amount of any part of the Convertible Notes placing to each particular Placee shall not exceed an amount which upon conversion in full will result in the holder of that particular Convertible Notes be issued with more than 10% of the total issued share capital of the Company at the date of the relevant conversion.

Redemption by the Company

The Company shall be entitled at any time in all respects by the date falling after nine months from the date of the issue of the particular Convertible Notes to redeem the whole or any part of the outstanding principal amount of the relevant Convertible Notes at 5% premium over the outstanding principal amount.

Status of the Convertible Notes

The Convertible Notes constitute general and unsecured obligations of the Company 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.

No application will be made for listing of the Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares falling to be issued upon exercise of the Convertible Notes.

Transferability

The Convertible Notes are freely transferable subject to compliance with the conditions of the Convertible Notes and the Listing Rules, provided that the holders of the Convertible Notes must inform the Company of each transfer or assignment made by them.

Voting

The holder of the Convertible Notes shall not be entitled to attend on vote at any meeting of the Company by person only it being the holder of the Convertible Note.

Events of default

All Convertible Notes contain events of default provisions which provides that on the occurrence of certain events of default specified in the Convertible Notes (e.g. liquidation), each of the holders of the Convertible Notes shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Note.

Effects on Shareholding Structure

The shareholding structure of the Company as at the Last Trading Date and upon the completion of the Share Consolidation together with assuming the conversion rights attached on the Convertible Notes are exercised in different situations after Share Consolidation, are as follows:–

| | Existing issued share capital | % | Upon completion of the Share Consolidation and before any exercise of the Convertible Notes | % | Assuming 50% of the Convertible Notes converted to shares after Share Consolidation | % | Assuming 100% of the Convertible Notes converted to shares after Share Consolidation | % |
|--|----------------------------------|---------------|---|---------------|--|---------------|---|---------------|
| Hon Po Investment Limited | 380,000,000 | 50.26 | 76,000,000 | 50.26 | 76,000,000 | 21.64 | 76,000,000 | 13.79 |
| Public: Holders of Convertible Notes | – | – | – | – | 200,000,000 | 56.95 | 400,000,000 | 72.57 |
| Others | 376,000,000 | 49.74 | 75,200,000 | 49.74 | 75,200,000 | 21.41 | 75,200,000 | 13.64 |
| Total | <u>756,000,000</u> | <u>100.00</u> | <u>151,200,000</u> | <u>100.00</u> | <u>351,200,000</u> | <u>100.00</u> | <u>551,200,000</u> | <u>100.00</u> |

Use of proceeds

The aggregate net proceeds from the Placing will be about HK\$39.4 million after taking into consideration of the placing commission payable to the Placing Agent and other accrual expenses (e.g. professional fee & printing fee etc.) and will be used as general working capital for the Group.

The Board considers that the Placing is in the interest of the Company and the Shareholders as a whole.

The following table shows the capital raising activities of the Company during 12 months period immediately preceding the date of this announcement:

| Description | Announcement date | Net proceeds | Date of general mandates granted | Intended use of proceeds as announced | Actual use of proceeds |
|--|-------------------|-----------------------|----------------------------------|---------------------------------------|------------------------|
| Placing of 126,000,000 Shares and subscription of 126,000,000 new Shares at HK\$0.0624 per Share | 20 January 2005 | About HK\$7.6 million | 27 May 2004 | General working capital | Reserved as intended |

Shareholders should note that completion of the Placing Agreement are conditional. Shareholders and potential investors should exercise caution when dealing in the Shares.

(2) PROPOSED SHARE CONSOLIDATION

For the reasons stated below, the Board proposes that every 5 Shares in the issued and unissued share capital of the Company be consolidated into one Consolidated Share in the issued and unissued share capital of the Company. As at the date of this announcement, there are 756,000,000 Shares in issue and 2,000,000,000 Shares to be issued pursuant to the Placing. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 151,200,000 Consolidated Shares in issue following the Share Consolidation and there will be 551,200,000 Consolidated Shares in issue assuming of fully conversion of the Convertible Notes at HK\$0.10 per Consolidated Share. The authorized share capital of the Company will remain at HK\$100,000,000. The number of authorized shares will be reduced as a result of the Share Consolidation from 10,000,000,000 Shares to 2,000,000,000 Consolidated Shares.

As at the date of this announcement, there are no outstanding options, warrants or securities convertible or exchangeable into Shares.

The implementation of the Share Consolidation is conditional upon :

- (i) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares.

Status of the Consolidated Shares

The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to Shareholder. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares, the Company has agreed to procure an agent to arrange for matching service regarding the sale and purchase of odd lots of Consolidated Shares. Further details in respect of the odd lots arrangement and colour of the new share certificates will be set out in the circular of the Company to be dispatched to the Shareholders.

Shareholders should note that successful matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed.

(3) CHANGE OF BOARD LOT SIZE

As at the date of this announcement, Shares are traded in board lots of 10,000. It is proposed that the Consolidated Shares will be traded in board lots of 20,000.

Based on the closing price of HK\$0.066 per Share as at the Last Trading Date, the value of each board lot of 20,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$6,600.

Reasons for the Share Consolidation and change of board lot size

The Share of the Company was currently traded at less than HK\$0.10, in order to bring the trading price in line with rule 13.64 of the Listing Rules, by effecting the proposed Share Consolidation it is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange. Along with the change of board lot size, it will also reduce the overall transaction costs for dealings in the Consolidated Shares. Accordingly, the Board is of the view that the Share Consolidation and the change of board lot size are beneficial to the Company and the Shareholders as a whole.

Other than the expenses to be incurred by the Company in relation to the Share Consolidation and change of board lot size, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of the Shareholders as a whole.

Exchange of certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be on 4 April 2005, being the business date immediately after the date of the EGM, Shareholders may on or after 4 April 2005 and until 14 May 2005 (both days inclusive), submit their share certificates for Shares to the Registrar for exchanging for share certificate for the Consolidated Shares at the expense of the Company. After the prescribed time for free exchange of share certificates, a fee of HK\$2.50 per old certificate submitted or new certificate issued whichever is the higher (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 12 May 2005, trading will only be in Consolidated Shares in board lots of 20,000. Share certificates for the Shares will be ceased to be valid for trading and settlement purposes, but will remain valid and effective as documents of entitlement.

Expected timetable

The expected timetable for the Share Consolidation and change of board lot size is as follows :

| | |
|--|-------------------------|
| Despatch of the circular | 10 March 2005 |
| Publication of the notice of EGM | 10 March 2005 |
| Latest time for lodging the form of proxy for the EGM | 4:00 p.m. 30 March 2005 |
| EGM | 4:00 p.m. 1 April 2005 |
| Effective date of the Share Consolidation | 4 April 2005 |
| Original counter for trading in Shares in board lots of 10,000 Shares temporarily closes | 9:30 a.m. 4 April 2005 |
| Temporary counter for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares opens (in the form of existing share certificates) | 9:30 a.m. 4 April 2005 |
| First day for free exchange of existing share certificates | 4 April 2005 |
| Original counter for trading in Consolidated Shares in board lots of 20,000 Consolidated Shares re-opens (in the form of new share certificates) | 9:30 a.m. 19 April 2005 |
| Parallel trading in Consolidated Shares commences | 9:30 a.m. 19 April 2005 |
| First day of operation of odd lot trading facility | 19 April 2005 |

Temporary counter for trading in Consolidated Shares
in board lots of 2,000 Consolidated Shares closes
(in the form of existing share certificates) 4:00 p.m. 11 May 2005

Parallel trading ends 4:00 p.m. 11 May 2005

Last day of operation of odd lot trading facility 11 May 2005

Latest time for free exchange of share certificates 14 May 2005

(4) PROPOSED REFRESHMENT OF GENERAL MANDATE

At the date of this announcement, the existing general mandate has been utilized and the board of Directors proposes to refresh the general mandate. The refreshment of the general mandate is subject to the Independent Shareholders' approval by way of poll at the EGM. As at the date of this announcement, Hon Po Investment Limited is beneficially interested in approximately 50.26% of the issued share capital of the Company therefore it is required to abstain from voting to the refreshment of the general mandate at the EGM.

General

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries involve the operation of a chain of Chinese restaurants and food manufacturing in Hong Kong.

The Directors consider that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The issue of Conversion Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Notes and the refreshment of general mandate are subject to the Shareholders' and Independent Shareholders' approval respectively at the EGM.

An independent board committee will be established to make recommendations to the Shareholders and an independent financial adviser will be appointed to advise the independent board committee and the Shareholders in relation to the proposed refreshment of general mandate.

A circular containing further details of the Placing, Share Consolidation, the change of board lot size and the refreshment of general mandate, together with notice of EGM will be dispatched to the Shareholders as soon as practicable.

(5) RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 8 February 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 22 February 2005.

TERMS AND DEFINITION

| | |
|------------------------------|---|
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of directors of the Company |
| “Company” | Hon Po Group (Lobster King) Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange |
| “Consolidated Share(s)” | Ordinary shares of HK\$0.05 each in the share capital of the Company upon the Share Consolidation being effective. |
| “Conversion Price” | HK\$0.02 per Share (which is subject to adjustment including but not limited to the Share Consolidation) or adjusted to HK\$0.10 per Consolidated Share upon the Share Consolidation being effective. |
| “Conversion Share(s)” | the new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes by the holders thereof |
| “Convertible Note(s)” | the convertible notes to be issued by the Company in the aggregate principal amount of HK\$40,000,000 in maximum |
| “Director(s)” | director(s) of the Company |
| “EGM” | an extraordinary general meeting of the Company to be convened to approve, amongst other things, the issue of the Convertible Notes, Share Consolidation, change of the board lot size and the refreshment of general mandate or any adjournment thereof |
| “Group” | The Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Shareholder(s)” | in respect of the refreshment of the general mandate, the Shareholders other than the controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates. |
| “Placing” | the conditional placing of the Convertible Notes pursuant to the Placing Agreement |

| | |
|-----------------------|---|
| “Placing Agent” | Yicko Securities Limited, a deemed licensed corporation to carry on business in types 1, 4, 6, and 9 regulated activities (dealing in securities, advising on securities and corporate finance, and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Placing Agreement” | the conditional placing agreement dated 7 February 2005 and entered into between the Company and the Placing Agent in relation to the Placing |
| “Last Trading Date” | 7 February 2005 being the last full trading day for the Shares before this announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Registrar” | Tengis Limited, the branch share registrar of the Company in Hong Kong |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share(s)” | ordinary share(s) of HK\$0.01 in the existing share capital of the Company |
| “Share Consolidation” | The proposed consolidation of every 5 Shares in the issued and unissued share capital of the Company into one Consolidated Share in the issued and unissued share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

By order of the Board
Hon Po Group (Lobster King) Limited
Cheung To Sang
Chairman and Managing Director

Hong Kong, 21 February, 2005

As at the date of this announcement, Mr. Cheung To Sang, Mr. Chan Nun Chiu, Mrs. Cheung Lim Mai Tak, Grace, Mr. She Hing Chiu and Mr. Tse Chick Sang are executive directors, Mr. Cheung Sik Pang and Mr. Ng Wing Po are non-executive directors, Mr. Chang Kin Man, Mr. Wu Tak Lung and Ms. Lee Pui Hang, Pieann are independent non-executive directors of the Company.

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