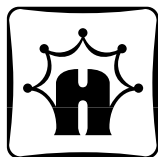


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漢寶集團(龍蝦大王)有限公司

Hon Po Group (Lobster King) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 228)

- (1) POSSIBLE PLACING OF CONVERTIBLE NOTES;
(2) UPDATE ON POSSIBLE PLACING OF FIRST CONVERTIBLE NOTES;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(4) SHAREHOLDERS CIRCULAR;
(5) SHARE CONSOLIDATION;
(6) CLARIFICATIONS
AND
(7) RESUMPTION OF TRADING**

POSSIBLE PLACING OF CONVERTIBLE NOTES

On 29th March, 2005, the Company appointed the Placing Agent and the Placing Agent has agreed to place, on a best effort basis, to not less than six independent professional, corporate or individual investors up to HK\$100 million of the Convertible Notes. The Convertible Notes will carry a right to convert into new Shares at the conversion price of HK\$0.05 per Share. The Conversion Price of HK\$0.05 per Share represents (i) a discount of about 94.74% to the closing price of HK\$0.19 per Pre-Consolidation Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of about 89.29% to the average closing price per Pre-Consolidation Share of about HK\$0.0934 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 87.83% to the average closing price per Pre-Consolidation Share of about HK\$0.0822 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date. In determining the Conversion Price, the Company has also taken into account the fact that it reported unaudited consolidated net liabilities as at 30th June, 2004 of approximately HK\$21.6 million (which amount increased to approximately HK\$35.6 million (audited) as at 31st December, 2004). While the issue of the Convertible Notes would increase the gearing ratio of the Company, conversion of the Convertible Notes would enhance the net asset value of the Company.

The maximum aggregate net proceeds from the Placing is estimated to be about HK\$97.5 million after taking into account of expenses incurred in connection with the Placing and is intended to be used to fund investments by the Company should the opportunity arise. If the First Convertible Notes issue does not proceed (because the requisite shareholders approval could not be obtained) or if some but not all of the First Convertible Notes are issued, then part of the net proceeds from the Placing will be allocated for working capital purposes to make up any shortfall of net proceeds available from the issue of the First Convertible Notes.

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 Conversion Shares falling to be issued upon exercise of the Convertible Notes. The Placing is conditional upon, amongst other things, (a) the proposed increase in the authorised share capital of the Company; (b) the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and (c) the passing of the relevant resolution for the approval of the issue of the Convertible Notes at the EGM. At the request of the Stock Exchange, the controlling shareholder of the Company will abstain from voting on that resolution and an independent financial adviser will be appointed to advise on the fairness of the Conversion Price in the context of the Convertible Notes issue.

UPDATE ON POSSIBLE PLACING OF FIRST CONVERTIBLE NOTES

At the request of the Stock Exchange, the Company will put the First Convertible Notes issue before the Shareholders, with the controlling shareholder of the Company abstaining from voting on the relevant resolution and will appoint an independent financial adviser to advise on the fairness of the conversion price of the First Convertible Notes in the context of that proposed issue. In order to allow time to issue a further circular to Shareholders containing, amongst other things, the advice of an independent financial adviser and the recommendations of the independent board committee of the Company in respect of the First Convertible Notes issue, the Company and the Placing Agent on 27th April, 2005 agreed to extend the long stop date by which the conditions precedent for the issue of the First Convertible Notes are to be fulfilled from 6th May, 2005 to 30th June, 2005. A notice to reconvene the extraordinary general meeting of the Company adjourned on 8th April, 2005 will be issued after finalisation of the circular.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board intends to put forward a proposal to the Shareholders to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares to HK\$500,000,000 divided into 10,000,000,000 Shares each by creation of an additional HK\$400,000,000 divided into 8,000,000,000 Shares.

SHAREHOLDERS CIRCULAR

A shareholders circular containing further details of the Placing and the proposed increase in authorised share capital, together with a letter of advice from an independent financial adviser of the Company and a letter from the independent board committee of the Company in respect of the proposed issue of the Convertible Notes and the First Convertible Notes and a notice of EGM will be despatched to Shareholders as soon as practicable.

SHARE CONSOLIDATION

The Share Consolidation took effect on 11th April, 2005. Further information regarding trading arrangements for the Shares, the exchange of Pre-Consolidation Share certificates for the Pre-Consolidation Shares for new certificates for the Shares and the facility for the sale and purchase of odd lots of Shares is set out in this announcement.

CLARIFICATIONS

Reference is made to (1) the suspension in trading of the shares of the Company, at the request of the Company, with effect from 3:26 p.m. on the Last Trading Day, pending an announcement to be made by the Company in connection with new price sensitive information and (2) the Article regarding an alleged disposal of business by the Company and an alleged transfer of controlling interest in the Company to a large Mainland Chinese food and beverages group.

The Company clarifies that it was approached by the Placing Agent in connection with the possibility of effecting the Placing at or about 3:15 p.m. on 23rd March, 2005. Before then, the Directors were not aware of reasons for the increases in the price and trading volume of the shares of the Company that morning and had published a statement to that effect pursuant to Rule 13.10 of the Listing Rules at around 2:58 p.m. In view of such movement of share price and trading volume and the Company having decided to pursue discussions with the Placing Agent as initiated by it, trading in the Company's shares was suspended at the Company's request with effect from 3:26 p.m.

The Company also clarifies that it does not plan to dispose of its business, nor does it (or its controlling shareholder as defined in the Listing Rules) intend to transfer the controlling interests in the Company to a large Mainland Chinese food and beverages group as alleged by the Article.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 3:26 p.m. on 23rd March, 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 12th May, 2005, to accommodate trading arrangements for the Shares given that the Share Consolidation has become effective.

(1) POSSIBLE PLACING OF CONVERTIBLE NOTES

Placing Agreement

Date

29th March, 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\$100,000,000 in maximum.

The Placing Agent is not a connected person (as defined under 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.

The Possible Placing

The placing of the Convertible Notes in aggregate principal amount of HK\$100,000,000 is to be carried out in four tranches. Convertible Notes of up to a maximum of HK\$25,000,000 in principal amount is to be issued under each tranche. The first tranche of the Convertible Notes, if and to the extent successfully placed, are to be issued within seven days upon fulfillment of the conditions set out below. The Placing Agent will receive a placing commission equal to 1% of the gross proceeds of the Convertible Notes placed by it. The placing commission was agreed after arm's length negotiations between the Company and the Placing Agent.

Placees

The Placing Agent has agreed to place the Convertible Notes to not less than six placees. Such placees and their ultimate beneficial owners are to be persons who are not connected person(s) (as defined under the Listing Rules) of the Company and will be independent third parties and not connected with and not acting in concert with (for the purpose of the Hong Kong Code on Takeovers and Mergers) (i) the Company; (ii) the Company or any of its subsidiaries or (iii) any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules). While the Company will endeavour to ensure that the placees are not parties acting in concert with each other, there is no assurance, however, as to whether or not some or all of the placees of the First Convertible Notes and the Convertible Notes are as between themselves persons acting in concert with respect to the Company.

Conditions

The placing of the Convertible Notes is conditional upon, among other things, the satisfaction of the following conditions:–

- (a) the approval of resolution by the Shareholders at the EGM for approving the increase of authorized share capital of the Company;
- (b) the approval of resolution by the Shareholders at the EGM for approving the issuance of the Convertible Notes and the issue and allotment of the Conversion Shares upon conversion of the Convertible Notes; and
- (c) the Listing Committee of the Stock Exchange having granted the 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.

At the request of the Stock Exchange, the controlling shareholder of the Company will abstain from voting on the resolution referred to in (b) above and an independent financial adviser will be appointed to advise on the fairness of the Conversion Price in the context of the Convertible Notes issue.

If these conditions are not fulfilled on or before 30th June, 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 issue of the first tranche of the Convertible Notes (if successfully placed) will take place within seven days following the date on which the conditions precedent to such issue are fulfilled (or such other date as the Company and the Placing Agent shall agree).

The Convertible Notes

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

Issuer

The Company

Principal Amount

Up to a maximum of HK\$100,000,000 in principal amount of Convertible Notes fall to be issuable in up to four tranches. Convertible Notes of up to maximum aggregate principal amount of HK\$25,000,000 may be issued in each tranche. Each tranche of the Convertible Notes (other than the first tranche) will only be issued if the immediately preceding tranche of the Convertible Notes has been placed in full.

Interest

Non-interest bearing

Maturity

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

Conversion

Each Convertible Note is convertible into Conversion Shares in whole or in part (in the amount or integral multiples of HK\$50,000) at the Conversion Price.

Conversion Price

The initial conversion price is HK\$0.05 per Share, subject to adjustment on events such as share consolidation, share sub-division and capital distribution.

The Conversion Price of HK\$0.05 per Share represents (i) a discount of about 94.74% to the closing price of HK\$0.19 per Pre-Consolidation Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of about 89.29% to the average closing price per Pre-Consolidation Share of about HK\$0.0934 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 87.83% to the average closing price per Pre-Consolidation Share of about HK\$0.0822 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

The Conversion Price has been agreed after arms' length negotiations between the management and the Placing Agent, the Company having taken into account in its negotiations with the Placing Agent the following factors:–

- (a) the Company has reported unaudited consolidated net liabilities as at 30th June, 2004 of approximately HK\$21.6 million (which amount increased to approximately HK\$35.6 million (audited) as at 31st December, 2004) and, in such circumstances and having regard to the fact that the Group operates principally in the restaurant industry, the Company perceives that convertible notes which have a higher conversion price (or a conversion price which is close to or at a premium to the market price of the Shares) will have little attraction to investors; and
- (b) the conversion of the Convertible Notes would also have a positive effect on the Company's net asset value.

The Directors consider, having regard to the above factors, the opportunity to raise substantial funds through the issue of the Convertible Notes (which has not in the past been available to the Company other than in respect of the First Convertible Notes issue and may not in the future be replicated as that is dictated largely by the condition of the equity market and the market for the Shares) and this being the conversion price at which the Placing Agent was prepared to undertake placing of the Company's convertible notes, the Conversion Price for the Convertible Notes to be fair and reasonable.

Conversion

Each holder may convert the whole or part (in the amount or integral multiple of HK\$50,000 of the principal amount of the relevant Convertible Note) into new Conversion Shares. The number of new Conversion Shares is determined by dividing the principal amount of the relevant Convertible Note to be converted by the then prevailing Conversion Price, rounded down to the nearest integral number of Shares.

If the conversion rights attaching to the Convertible Notes were exercised in full at the initial Conversion Price, the Company will issue an aggregate of 2,000,000,000 new Conversion Shares, representing approximately 1322.75% of the existing issued share capital of the Company and approximately 92.97% of the issued share capital of the Company enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued pursuant to the resolution at the EGM by the Shareholders. Shareholders' approval for the allotment and issue of the Conversion Shares will be sought at the EGM. At the request of the Stock Exchange, the controlling shareholder of the Company will abstain from voting on that resolution and an independent financial adviser will be appointed to advise on the fairness of the Conversion Price in the context of the Convertible Notes issue.

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 (in the amount or integral multiple of HK\$50,000) of the principal amount of the relevant Convertible Note outstanding at any time into new Conversion Shares at the Conversion Price.

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 Placing Agreement provides that principal amount of the Convertible Notes to be placed to each Placee shall not exceed an amount which if immediately converted in full at the initial Conversion Price will entitle that Placee to be issued with Shares which represent in aggregate 10% or more of the issued share capital of the Company as at the date of completion of the Placing as enlarged by the issue of Conversion Shares assuming conversion at the initial Conversion Price. The conversion rights of each holder of Convertible Note is to be similarly restricted so that they may not exercise their conversion rights to such an extent that the total number of Conversion Shares which fall to be issued will represent 10% or more of the issued share capital of the Company at the date of the relevant conversion (including the Conversion Shares which fall to be issued on that conversion).

The restrictions described above also apply to the First Convertible Notes. In the case of the First Convertible Notes, these restrictions had been requested by the Company with the intention of reducing the chances of (i) public float in the Shares falling under the minimum public float requirements under the Listing Rules and (ii) any single holder of the First Convertible Notes having on conversion a block of Shares which is larger than that of the existing controlling shareholder of the Company, on a fully diluted basis. These restrictions are imposed on the Convertible Notes mainly in view of (i) above.

Redemption by the Company

The Company shall be entitled at any time after the expiry of nine months from the date of the issue of a Convertible Note being redeem the whole or any part of the outstanding principal amount of the relevant Convertible Note 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 which fall to be issued upon exercise of the conversion rights to 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 virtue only of it being the holder of the Convertible Note.

Events of default

All Convertible Notes will 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 table below shows the shareholding structure of the Company as at the date of this announcement together with the dilution effect on such shareholding if the conversion rights attached to First Convertible Notes and/or Convertible Notes were exercised in full at their respective initial conversion prices:–

	Existing issued share capital	%	Assuming that the First Convertible Notes are issued and converted in full and no Convertible Notes are issued	%	Assuming that the Convertible Notes are issued and converted in full and no First Convertible Notes are issued	%	Assuming both the First Convertible Notes and the Convertible Notes are issued and converted in full	%
Hon Po Investment Limited	76,000,000	50.26	76,000,000	13.79	76,000,000	3.53	76,000,000	2.98
Public: Holders of the First Convertible Notes	-	-	400,000,000	72.57	-	-	400,000,000	15.68
Holders of the Convertible Notes	-	-	-	-	2,000,000,000	92.97	2,000,000,000	78.39
Others	75,200,000	49.74	75,200,000	13.64	75,200,000	3.50	75,200,000	2.95
Total	<u>151,200,000</u>	<u>100.00</u>	<u>551,200,000</u>	<u>100.00</u>	<u>2,151,200,000</u>	<u>100.00</u>	<u>2,551,200,000</u>	<u>100.00</u>

Note: The table above assumes conversion of the relevant convertible notes at their initial conversion price and there being no changes to the issued share capital of the Company other than as a result of such conversion.

In view of the potential dilution effect on existing Shareholders on conversion of the First Convertible Notes and Convertible Notes, for so long as any these convertible notes are outstanding

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:

- (i) whether there is any conversion of the First Convertible Notes and/or (as the case may be) the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the outstanding principal amount of the First Convertible Notes and/or (as the case may be) the Convertible Notes after the conversion, if any;
 - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company;
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the First Convertible Notes and/or (as the case may be) the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the then latest announcement made by the Company in respect of the First Convertible Notes and/or (as the case may be) the Convertible Notes (and thereafter in a multiple of such 5% threshold), the Company will as soon as practicable but in any event no later than the fifth business day thereafter make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the then latest announcement made by the Company in respect of the First Convertible Notes and/or (as the case may be) the Convertible Notes, up to the date on which the total amount of Shares issued pursuant to the conversion amounts to 5% of the issued share capital of the Company as disclosed in the then latest announcement made by the Company in respect of the First Convertible Notes and/or (as the case may be) the Convertible Notes.

Reasons for and the benefits of the placing of the Convertible Notes and the use of proceeds

The Company needs to raise funds for its operations and expansion. The overall performance of the Hong Kong restaurant industry in which the Company operates and the financial results and position of the Group renders it difficult for the Group to secure substantial debt financing for its business. These factors, together with the amount of funds which the Company seeks to raise, also renders an issue of Shares unattractive to potential third party investors in the Company. The Company has not proposed to make an issue by way of rights to all Shareholders to raise the funds sought by it as it has not identified any willing underwriter of such issue. The Convertible Notes in substance being debt instruments with an option for their holders to convert the debt into equity in the Company represent a more attractive option for potential investors in the Company. The current market conditions and recent investors interest in the Shares have created the opportunity for the Company to issue the Convertible Notes through “best efforts” placing by the Placing Agent.

Having taken into account the above and (i) the combination of the Convertible Notes bearing zero interest but having a redemption premium would reduce pressure on the Company's short term cash flow requirements while the annualised costs of funds to the Company would be about 2.5% per annum on the principal amount of the Convertible Notes outstanding on maturity (having regard to the 5% redemption premium payable for the two-year note); and (ii) the two-year maturity of the Convertible Notes will result in improvement of the Group's current ratios and working capital position, the Directors consider that the terms of the Placing and the Convertible Notes are fair and reasonable in the circumstances, and are in the interests of the Company and the Shareholders as a whole.

If the placing of the Convertible Notes is successful, the financial resources of the Group will increase significantly. Apart from improvements in the Group's financial position as a result, the funding so obtained would give the Company greater flexibility and improve its bargaining powers with respect to its future investments and also allow it to make longer term investment planning over the next two years. As the actual amount of net proceeds from the Convertible Notes could not now be ascertained, the Company has no immediate plans for specific investment while the general purpose to which such proceeds are to be put to use are as stated in "Use of Proceeds" below. If the proceeds should be deployed for investments, depending on the status of conversion of the Convertible Notes prior to their maturity, the Convertible Notes then outstanding may be redeemed by using funds which may be generated from such investment, working capital which may then be available, debt financing which may then be available, proceeds of further equity or debt issues, proceeds of realisation of investments or a combination of some or all of the above. Investors should note that there is no assurance that the Company will at that time have or utilise funding from any or all of the above sources.

Use of Proceeds

The maximum aggregate net proceeds from the Placing will be about HK\$97.5 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 for future investment on food and beverage related industries (which may or may not include investments in further restaurants) and/or property investment when suitable opportunities arise and after the actual amount of net proceeds from the Convertible Notes could be ascertained. However, no particular investment targets have been identified by the Company at present. If the First Convertible Notes issue does not proceed (because the requisite shareholders approval could not be obtained) or if some but not all of the First Convertible Notes are issued, then part of the net proceeds from the Placing will be allocated for working capital purposes to make up any shortfall of net proceeds available from the issue of the First Convertible Notes.

The following table shows the fund 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
Issue of 126,000,000 new Pre-Consolidation Shares pursuant to a vendor placing exercise at HK\$0.0624 per share	20th January, 2005	About HK\$7.6 million	27th May, 2004	General working capital	Used as intended
First Convertible Notes to be issued (<i>Note</i>)	21st February, 2005	About HK\$39.4 million	Not yet granted	General working capital	Not applicable

Note: The First Convertible Notes are not yet issued. Please refer to section (2) “Update On Possible Placing Of First Convertible Notes” below.

Shareholders should note that the issue of the Convertible Notes is conditional upon the fulfillment of the Conditions as described under “Conditions” in section (1) above. Shareholders and potential investors should exercise caution when dealing in the Shares.

(2) UPDATE ON POSSIBLE PLACING OF FIRST CONVERTIBLE NOTES

At the request of the Stock Exchange, the Company will put the placing of First Convertible Note before the Shareholders with the controlling shareholder of the Company abstaining from voting on the relevant resolution and will appoint an independent financial adviser to advise on the fairness of the conversion price of the First Convertible Notes in the context of that proposed issue. The reasons for and the benefit of the proposed issue of the First Convertible Note have been disclosed in the Company’s announcement dated 21st February, 2005 and shareholders circular dated 21st March, 2005. The low initial conversion price of the First Convertible Note of HK\$0.1 per Share after adjustment for the Share Consolidation (which represented about 69.70% discount to the last closing price per Pre-Consolidation Share prior to the announcement of that issue) has been agreed by the Company after taking into account substantially the same factors as those set out under “The Convertible Notes – Conversion Price” in section (1) above. The Directors consider, having regard to such factors, the opportunity to raise funds for working capital purposes through the issue of the First Convertible Notes (which has not in the past been available to the Company and may not in the future be replicated as that is dictated largely by the condition of the equity market and the market for the Shares) and this being the conversion price at which the Placing Agent was then prepared to undertake placing of the Company’s convertible notes, the conversion price for the First Convertible Notes to be fair and reasonable. Having regard to the net liabilities and net losses reported by the Company, a new Shares issue would be unrealistic and would in any event result in more immediate dilution to Shareholders.

In order to allow time to issue a further circular to Shareholders containing, amongst other things, the advice of an independent financial adviser and the recommendations of the independent board committee of the Company in respect of the placing of the First Convertible Notes, the Company and the Placing Agent on 27th April, 2005 agreed to extend the long stop date by which the conditions precedent for the issue of the First Convertible Notes are to be fulfilled from 6th May, 2005 to 30th June, 2005. A notice to reconvene the extraordinary general meeting of the Company adjourned on 8th April, 2005 will be issued after finalisation of the circular.

(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares. In order to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares to HK\$500,000,000 divided into 10,000,000,000 Shares by creation of an additional HK\$400,000,000 divided into 8,000,000,000 Shares.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

(4) SHAREHOLDERS CIRCULAR

The issue of the Convertible Notes and the First Convertible Notes, the issue and allotment of Shares which fall to be issued upon conversion of them, and the proposed increase in authorised share capital of the Company all require the approval of Shareholders. At the request of the Stock Exchange, the controlling shareholder of the Company will abstain from voting on the resolutions to approve the issue of those convertible notes and the issue and allotment of Shares on their conversion and an independent financial adviser will be appointed to advise on the fairness of the conversion price of those convertible notes in the context of the proposed issue of the First Convertible Notes and the Convertible Notes respectively. Separate resolutions in respect of the issue of the Convertible Notes and the First Convertible Notes will be put to Shareholders. Accordingly, there is a possibility that either or both or neither of the proposed convertible notes issues will proceed.

Accordingly, a shareholders circular containing further details of the Placing and the proposed increase in authorised share capital, together with a letter of advice from an independent financial adviser of the Company and a letter from the independent board committee of the Company in respect of the proposed placing of the Convertible Notes and the First Convertible Notes and a notice of EGM will be despatched to Shareholders as soon as practicable.

(5) SHARE CONSOLIDATION

As stated in the Company's announcement dated 8th April, 2005, the Share Consolidation took effect on 11th April, 2005. In view of the suspension of trading in the shares of the Company since the Last Trading Date, the timetable for the interim trading of Shares is revised as follows:–

2005

First day for free exchange of Pre-Consolidation Share
certificates (for the Pre-Consolidation Shares) for
new Share certificates for the Shares 11th April

Trading in the Shares resumes 9:30 a.m. on 12th May

Change of board lot from 10,000 Pre-Consolidation Shares
to 20,000 Shares becomes effective 9:30 a.m. on 12th May

Temporary counter for trading in the Shares in board
lots of 2,000 Shares (in the form of Pre-Consolidation
Share certificates) opens 9:30 a.m. on 12th May

Original counter for trading in the Shares in board lots of
20,000 Shares (in the form of new Share certificates)
commences 9:30 a.m. on 12th May

Parallel trading in the Shares (in the form of new Share
certificates and Pre-Consolidation Share certificates)
commences 9:30 a.m. on 12th May

Temporary counter for trading in the Shares in board lots
of 2,000 Shares (in the form of Pre-Consolidation Share
certificates) closes 4:00 p.m. on 2nd June

Parallel trading in the Shares (in the form of new Share
certificates and Pre-Consolidation Share certificates) ends 4:00 p.m. on 2nd June

Last day for free exchange of Pre-Consolidation Share
certificates for new Share certificates 6th June

Shareholders may, during business hours from 11th April, 2005 to 6th June, 2005 (both dates inclusive), submit their Pre-Consolidation Share certificates for the Pre-Consolidation Shares to the Company's branch registrar in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in exchange for new Share certificates for the Shares free of charge. Thereafter, Pre-Consolidation Share certificates for Pre-Consolidation Shares will be accepted for exchange only on payment of a fee for the higher of the number of old shares certificates submitted and the number of new certificates issued at the rate of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) per share certificate.

Dealings in the Shares are expected to commence on 9:30 a.m. Thursday, 12th May, 2005,

- (i) with effect from 9:30 a.m. on Thursday, 12th May, 2005, a temporary counter (stock code: 2973 HON PO GP-OLD) for trading in the Shares in board lots of 2,000 Shares will be established and only Pre-Consolidation Share certificates for the Pre-Consolidation Shares can be traded at this counter. All Pre-Consolidation Share certificates for the Pre-Consolidation Shares will be valid for settlement and delivery for trading transacted at this counter on the basis that every 5 Pre-Consolidation Shares represent one Share;
- (ii) with effect from 9:30 a.m. on Thursday, 12th May, 2005, trading on the original counter (stock code: 228 HON PO GP-NEW) will remain and become a counter for trading in the Shares in new board lots of 20,000 Shares. Only new share certificates for the Shares can be traded at this counter.
- (iii) the temporary counter for trading in the Shares in board lots of 2,000 Shares (represented by Pre-Consolidation Share certificates for the Pre-Consolidation Shares) will be removed after 4:00 p.m. on Thursday, 2nd June, 2005. Thereafter, trading will only be in new share certificates for the Shares (stock code: 228 HON PO GROUP) in board lots of 20,000 Shares. The Pre-Consolidation Share certificates for the Pre-Consolidation Shares will then cease to be marketable and will not be acceptable for trading and settlement purposes but will remain effective as documents of title on the basis of every 5 Pre-Consolidation Shares for one Share.

The Company has appointed Yicko Securities Limited of 19th Floor, Tung Ning Building, 2 Hillier Street, Sheung Wan, Hong Kong to stand in the market to facilitate the sale and purchase of odd lots of Shares during the period from Thursday 12th May, 2005 to Thursday 2nd June, 2005 (both days inclusive). Holders of Shares in odd lots who wish to take advantage of this facility either to dispose of or top up their odd lots to a board lot of 20,000 Shares may, directly or through their brokers, contact either Mr. Chan Choi Wah at 2850 4695 or Mr. Wong Wai Ming at 2541 3448 of Yicko Securities Limited during such period. Shareholders should note that successful matching of sale and purchase of odd lots of Shares is not guaranteed.

(6) CLARIFICATIONS

Reference is made to (1) the suspension in trading of the shares of the Company, at the request of the Company, with effect from 3:26 p.m. on the Last Trading Day, pending an announcement to be made by the Company in connection with new price sensitive information and (2) the Article regarding an alleged disposal of business by the Company and an alleged transfer of controlling interest in the Company to a large Mainland Chinese food and beverages group.

The Board noted increases in share price and trading volume of the shares of the Company on 23rd March, 2005 and summarize the movement of the trading price of the shares of the Company and the sequence of events on that date as follows:–

Trading Time period	The lowest Pre-Consolidation Share trading price HK\$	The highest Pre-Consolidation Share trading price HK\$	Events
10:00 a.m. – 2:58 p.m.	0.070	0.172	At around 12:00 p.m., the Stock Exchange made enquiries of the Company regarding the increase in price and trading volume of shares of the Company, as Pre-Consolidation Share price rose by 25.71% from HK\$0.07 to HK\$0.088 during 11:28 a.m. to 12:00 p.m. A written statement pursuant to rule 13.10 of the Listing Rules was published at around 2:58 p.m. in teletext.
2:59 p.m. – 3:15 p.m.	0.171	0.230	A Director was approached by the Placing Agent at approximately 3:15 p.m. in relation to a possible placing of convertible notes.
3:16 p.m. – 3:26 p.m.	0.175	0.200	In view of the movements in price and trading volume of the Pre-Consolidation Shares earlier in the day, the Company having decided to pursue discussions with the Placing Agent, requested that trading of the Pre-Consolidation Shares be suspended. Trading of the Pre-Consolidation Shares was suspended with effect from 3:26 p.m..

The Board wishes to clarify that the Directors are not aware of any reasons for such increase and that, save for the proposed Placing and the possible First Convertible Notes issues, Directors are not aware of any negotiations or agreements relating to intended acquisitions or realizations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rule, which is or may be of a price-sensitive nature.

The Board noted that the Article referred to an alleged disposal of business by the Company and an alleged transfer of controlling interest in the Company to a large Mainland Chinese food and beverage group. The Company does not know who is the source of information published in the Article. The Company clarifies that it does not intend to and is not in discussions regarding any disposal of its business, nor any issue of securities which would result in the transfer of the controlling interest in the Company to a large Mainland Chinese food and beverages group. Its controlling shareholder has also confirmed to the Company that it does not intend to and is not in discussion in respect of any transfer of the controlling interest in the Company to such a group.

(7) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in shares of the Company on the Stock Exchange was suspended from 3:26 p.m. on 23rd March, 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 12th May, 2005, to accommodate trading arrangements for the Shares given that the Share Consolidation has become effective.

TERMS AND DEFINITION

“Article”	a press article which appeared in Ming Pao Daily News on 24th March, 2005
“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
“Conversion Price”	the initial conversion price of HK\$0.05 per Conversion Share, subject to adjustment
“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\$100,000,000 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 and increase of authorized share capital of the Company or any adjournment thereof
“First Convertible Note(s)”	the series of convertible notes proposed to be issued by the Company in a maximum aggregate principal amount of HK\$40,000,000 in maximum as disclosed in the Company’s announcement dated 21st February, 2005
“Group”	The Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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 29th March, 2005 and entered into between the Company and the Placing Agent in relation to the Placing
“Pre-Consolidation Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company which existed immediately before the Share Consolidation became effective;
“Last Trading Date”	23rd March, 2005 being the last trading day for the Pre-Consolidation Shares before this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the existing share capital of the Company
“Share Consolidation”	the consolidation of every 5 Pre-Consolidation Shares into one Share, which took effect on 11th April, 2005
“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, 9th May, 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. 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.