

On behalf of the board of directors (the “Board” or the “Directors”) of Spread Prospects Holdings Limited (the “Company”), I am pleased to present the annual report of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2006.

The Group recorded a turnover of approximately RMB518.1 million for the year ended 31 December 2006, a rise of about 10% from RMB470.8 million in the preceding year. Gross profit grew to RMB158.5 million, representing 15.1% growth as compared in 2005. Profit for the year amounted to RMB96.5 million, representing a growth of 3.4% as compared to RMB93.3 million. Basic earnings per share were RMB0.224 (2005: RMB0.221). The Board recommended the payment of a final dividend of RMB0.045 per share for the year ended 31 December 2006 (2005: RMB0.025).

During the year under review, the Group’s new plant in Fenyang, Shanxi commenced production. After merging the old factory with the new facility, the plant has a layout more befitting to meet the production requirements of the Group and that resulted in higher operational efficiency.

The Group also provided comprehensive services that added value to customers by giving suggestions to customers on packaging design, how cans of different shapes would feel to the hand and materials to use for producing specific cans, etc. With the flexible marketing and product strategies, the Group enlarged its market share and expanded its customer base. At the Group’s continuous effort to improve product quality, which underscores its strong market reputation, six sizeable customers were secured during the year.

The Group devoted much effort into improving its plate making proof technology by upgrading the software of computer system for the production line and renovated the overall facilities to improve output rate and optimize control throughout the printing process and ultimately printing quality. The Group equipped its printing function with a digital proof system to enhance the quality of printing proof, which can ensure the stable quality of prints on the final products and that resulted in enhanced profitability.

In 2006, the booming beverage industry in China grew 20%, with consumption rate reaching record high of 41 million tonne. The aggregate beverage production of the country had doubled within four years. China’s total packaging industry output amounted to US\$50 billion in 2005, representing a year-on-year increase of 22.4% and accounted for 2.2% of GDP in China, up from only 0.4% in the early 80’s. The Group expected that during the Eleventh Five-Year Plan (ie. 2006-2010), total packaging industry output will reach RMB450 billion and continue to grow at an annual rate of 7%. From the year 2011 to 2015, the total packaging industry output is expected to exceed RMB600 billion at an annual growth rate of 16%. This translated into huge demand for food and beverage packaging industry and abundant opportunities for the Group.

To enhance production capacities and scale in preparation for anticipated growth in demand, the Group intends to expand its production base in Xia Cao, Fuqing and the production lines and production base in Fenyang, Shanxi.

Two-piece cans products will continue to be our principle income source and profit driver. To better yet serve the needs of customers, boost product scope and technology and reinforce its leading position in the two-piece cans market, the Group will purchase three moulds and shaping equipment for producing new two-piece cans.

CHAIRMAN'S STATEMENTS

Currently, the food industry makes up the large portion of the metal packaging industry. With the continued development of the China economy and ever-increasing national consumption, together with the increasing demand of quality packaging on food and beverages, the Group will strive to innovate and provide high value added products and products with higher technology content. By consistently improving the technology content of our products, strengthening cost control and brand promotion on top of implementing other effective business strategies, and led by an experienced and innovative management team, the Group holds a firm position as a leading food and beverage packaging company in China. I believe that the Group shall deliver promising results in the coming year and bring fruitful returns to shareholders.

APPRECIATION

Last but not least, I would like to express my heartfelt gratitude to the Directors, the management and all our staff whose indispensable contributions have driven the Group to achieve impressive results for the year. My sincere appreciation also goes to all our shareholders, business partners, bankers and customers for their continued support and confidence in the Group over the years.

Yang Zongwang

Chairman

Hong Kong, 12 April 2007