

CHAIRMAN'S STATEMENT



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 2005.

The Group recorded a turnover of approximately RMB470,789,000 for the year ended 31 December 2005, a surge of about 10.6% from RMB425,716,000 in the preceding year. Profit attributable to shareholders amounted to RMB93,341,000, representing a growth of 3.5% as compared to RMB90,158,000 in the preceding year. Basic earnings per share was RMB0.221 (2004: RMB0.223). The Board recommended the payment of a final dividend of RMB0.025 per share for the year ended 31 December 2005 (2004: RMB0.03).

The Asian metal packaging industry has been on a pronounced uptrend over the past few years, with sales growth of 250%, 63% and 71% in two-piece tinplate cans for beverage, three-piece tinplate cans for beverage and tinplate cans for food respectively in the last decade. However, the Asian market of tinplate cans for food and beverage is not as flourishing as that in the European and US countries despite its fast-growing trend. According to market information, the annual consumption of canned food in the PRC is 1.5 kg, as compared with 90kg in the US and 50kg in Europe. As such, there is room for further development of metal packaging industry in the PRC. Being a leading producer and distributor of tinplate cans in the PRC, the Group has been actively seizing the opportunity arising from the favorable market condition in the metal packaging industry and expanding its core tinplate can business; and as a result, the Group was able to achieve encouraging results during the year.

During the year under review, the Group has taken a multi-pronged approach by adopting various measures including the modernization of management system to further enhance management quality, adjustment of product structure to maintain profit growth, enhancement of quality control and inspection standard to maintain market competitiveness, and continued enhancement of service quality to strengthen customer relationship. In order to cater for the increasing demand of customers, the Group has also increased its capital investments to enlarge the operation scale. To date, the leased production base in Fuqing, Fujian Province and the production base in Fenyang, Shanxi Province have already commenced operation. Such expansion has greatly enhanced the Group's production capacity and significantly improved the production environment, thereby enhancing the Group's overall production efficiency.

The Group believes that effective management is a vital element of any successful business operation. During the year, the Group has made corresponding adjustments in the spectrum of overall operation and technical issues, which helped to enhance the operational efficiency and production techniques significantly. In addition to the recruitment of technical expertise, the Group has dedicated its efforts in introducing a modernized management system to enhance the management quality to the international standard. On the other hand, due to the disparity of product quality in the PRC metal packaging industry, the Group has newly installed a set of imported inspection equipment to perfect the product inspection and provide high-quality product services to customers, striving to stand out among the peers.

In view of the ever-rising costs of raw material (i.e. tinplate), the Group actively involves in developing three-piece tinplate cans for beverage, which are comparatively mature in production techniques and well-received by the market. On the other hand, the Group has successfully increased the selling price appropriately to transfer part of the costs to its customers. As the current tinplate prices seen stabilizing and the Group plans to develop higher-margin products, it is expected that there will be a sustainable growth for the Group's gross margin in the future.

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 number of beverage brands, all these factors will drive the metal packaging industry to develop rapidly. Leveraging on the Group's competitive edge of two-piece and three-piece tinplate can products in the metal packaging industry, added onto its dedication to doing the best and determination to making progress, I believe that the Group can deliver even more promising results in the forthcoming year and bring fruitful returns to the 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 2006