



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 2004.

The Group’s tinplate cans manufacturing operations achieved encouraging results in the past year. The Group recorded a turnover of approximately RMB425.7 million (2003: RMB337.6 million) for the year ended 31 December 2004, representing an increase of 26.1% as compared to that of 2003. Profit attributable to shareholders amounted to approximately RMB90.1 million (2003: RMB78.7 million), a year-on-year rise of 14.5% from 2003. Basic earnings per share was RMB0.223 (2003: RMB0.228). The Board recommended the payment of a final dividend for the year ended 31 December 2004 of RMB0.03 per share (2003: RMB0.04).

In 2004, the continuing increase in the price of raw materials (including steel and aluminium) led to the upsurge in production costs for the tinplate can packaging industry, which resulted in an unavoidable downward pressure on the gross profit margin of the Group. However, the Group raised its product selling prices and successfully transferred a portion of the cost increase to its customers. Furthermore, benefiting from the economies of scale brought about by the enhancement in production capacity, the Group also managed to reduce its operating costs. Added to the launch of the two-piece tinplate cans, which enjoy a higher profit margin as compared to that of three-piece tinplate cans, in the fourth quarter of last year, the Group’s gross profit margin experienced only a slight drop of 2.5% despite of the adverse impact resulted from the rise in price of raw materials during the year.

After conducting a thorough and in-depth analysis, the Group acquired new production facilities for its Fuqing plant in Fujian Province to satisfy the incessant growth in market demand for tinplate cans. These additions, including two production lines on three-piece tinplate cans for beverages, three production lines on two-piece tinplate cans for food and a high-speed and automated double-colour printing equipment, commenced full-scale operations in the fourth quarter last year and boosted the Group’s production capacity for both tinplate cans manufacturing and tinplate lacquering and printing services by approximately 40%. This expanded capacity further enhances the Group’s strengths and provides the Group with an advantage in benefiting from the expansion of the tinplate cans packaging industry and a platform to capture even greater market share.

CHAIRMAN'S STATEMENT

On the other hand, with increasing expectations from the public on the quality and hygiene standard of food and beverage products in the past few years, the Group launched the two-piece tinplate cans in the fourth quarter last year. As there is greater quality control over the production of two-piece tinplate cans which significantly enhances the quality and hygiene standard of the contents within, as well as an improved exterior appearance, the two-piece tinplate cans have been well-received by the market since its launch. In view of this, the Group plans to utilize the proceeds raised from the placing of new shares in June last year to acquire two other production lines on two-piece tinplate cans for its Shanxi plant. In view of the higher gross profit margin of two-piece tinplate cans as compared with that of three-piece tinplate cans, the Group will continue to develop this line of business and to conduct research and development on other higher-margin products, so as to further lifting its overall profitability and delivering lucrative returns for the Group.

Over and above the expansion of production capacity, the Group has also been placing emphasis on the environmental management aspect. In July 2004, the Group's Fuqing plant received the ISO14001:1996 Environmental Management Certification from the Center for Quality of Management. This certification recognizes that the Group's tinplate colour printing, three-piece tinplate cans manufacturing and other related management activities satisfy all the international standard. With this endorsement, the Group's competitiveness in the tinplate cans industry is greatly enhanced and new customers such as "Jianlibao" (「健力寶」) and "Yinglu" (「銀鷺」) were also enticed to cooperate with the Group.

2004 was a very challenging year for all mainland enterprises, with huge implications arising from the macroeconomic regulation and control measures implemented by the Central Government of the PRC. However, these measures primarily target specific industries such as the over-heated infrastructure and raw materials industries, with varying levels of impact on other industries. The tinplate cans packaging industry for one stands to benefit due to its association with the agricultural and food industry which is highly valued by the society and the Central Government. It is anticipated that the rising trend of the price of raw materials will be stabilized in 2005 based on current market indicators. As such, in the event of the absence of unforeseeable factors, the Group believes that it can generate even greater revenue and returns in the next fiscal year.

APPRECIATION

On behalf of the Board, I would like to express my gratitude towards all our dedicated staff members for their devotion, commitment and precious contributions. At the same time, I would also like to thank all our shareholders, customers, suppliers and business partners for their support and faith in the Group. The Group will strive to move forward to attain even better results in the coming years.

Yang Zongwang

Chairman

Hong Kong, 12 April 2005