



Spread Prospects Holdings Limited

展鴻控股有限公司

(incorporated in the Cayman Islands with limited liability)

The board of directors (the “Board” or the “Directors”) of Spread Prospects Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2003 together with the comparative figures for the corresponding period in 2002 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003 - UNAUDITED**

	<i>NOTES</i>	Six months ended 30 June	
		2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Turnover	2	170,478	91,319
Cost of sales		<u>(108,030)</u>	<u>(58,749)</u>
Gross profit		62,448	32,570
Other operating income		730	390
Selling expenses		(5,481)	(2,433)
Administrative expenses		<u>(2,723)</u>	<u>(1,568)</u>
Profit from operations		54,974	28,959
Finance costs		<u>(1,479)</u>	<u>(1,646)</u>
Profit before taxation		53,495	27,313
Taxation	4	<u>(11,049)</u>	<u>(3,361)</u>
Net profit for the period		<u>42,446</u>	<u>23,952</u>
Dividends proposed	5	<u>—</u>	<u>—</u>
Earnings per share	6		
- Basic		<u>RMB0.139</u>	<u>RMB0.080</u>

NOTES

1. BASIS OF PREPARATION & PRINCIPAL ACCOUNTING POLICIES

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 2 July 2003.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (the “HKSA”).

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2002 as set out in the prospectus of the Company dated 10 June 2003, except as described below.

In the current period, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) “Income taxes” (“SSAP 12 (Revised)”) issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax). The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been made.

2. SEGMENT INFORMATION

	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Business segments</u>		
Turnover		
Manufacture and sale of tinplate cans	146,459	73,075
Tinplate lacquering and printing services	<u>24,019</u>	<u>18,244</u>
	<u>170,478</u>	<u>91,319</u>
Segment result		
Manufacture and sale of tinplate cans	44,985	21,212
Tinplate lacquering and printing services	<u>11,334</u>	<u>8,525</u>
	56,319	29,737
Unallocated corporate expenses	<u>(1,345)</u>	<u>(778)</u>
Profit from operations	54,974	28,959
Finance costs	<u>(1,479)</u>	<u>(1,646)</u>
Profit before taxation	53,495	27,313
Taxation	<u>(11,049)</u>	<u>(3,361)</u>
Net profit for the period	<u>42,446</u>	<u>23,952</u>

No geographical segment analysis is shown as the Group’s operating businesses are solely carried out in the People’s Republic of China (the “PRC”).

3. DEPRECIATION AND AMORTISATION

During the current period, depreciation and amortisation of RMB2,542,000 (2002: RMB2,310,000) was charged in respect of the Group’s property, plant and equipment.

4. TAXATION

	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC		
- current period	<u>11,049</u>	<u>3,361</u>

No provision for Hong Kong Profits Tax has been made as the Group’s income neither arises in, nor is derived from Hong Kong.

5. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The Directors do not recommend the payment of an interim dividend.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of RMB42,446,000 (2002: RMB23,952,000) and the weighted average of 306,404,420 shares (2002: 300,000,000 shares) that would have been in issue throughout the period. The 300,000,000 shares were issued prior to the listing of the Company's shares on the Stock Exchange and pursuant to the reorganisation of the Group are treated as if they had been in issue throughout both periods.

There were no potential dilutive ordinary shares during both periods.

RESULTS

For the six months ended 30 June 2003, the Group's unaudited turnover was approximately RMB170.5 million, representing a growth of approximately 86.7% as compared to that of the last corresponding period. The net profit of the Group amounted to approximately RMB42.4 million, representing an increase of approximately 77.2% as compared to that of the last corresponding period.

BUSINESS REVIEW

Manufacture and sale of tinplate cans

Turnover derived from the manufacture and sale of tinplate cans increased by approximately 100.4% to approximately RMB146.5 million. The increase in turnover was mainly attributable to the continuous enhancement in production capacity and the increasing demand for canned food. The Group has taken advantage of the opportunities brought by the economic development in the western region of the PRC by setting up a sub-plant in Fenyang, Shanxi Province, which significantly enhanced the overall production capacity of the Group. The Group also recruited a number of professional sales staff to join its marketing team and entered into contracts with some new customers. On the other hand, the Group has strengthened its effort in marketing to the major customers in the Fujian Province and its peripheral area to explore new markets, which resulted in the sustained increase in the number of orders for tinplate cans. Furthermore, under the threat of SARS, many customers purchased plenty of food at one time to minimize their frequency of shopping. This has created high seasons of the sales of handy canned food in many cities in the PRC. The Group successfully grasped such opportunity and increased its sales of tinplate cans for food and entered into 1-year agreements with customers for its newly developed tinplate food cans.

Tinplate lacquering and printing services

Turnover from the tinplate lacquering and printing services increased by approximately 31.7% to approximately RMB24.0 million as the Group successfully solicited new customers. Furthermore, demand for the Group's service increased as the metal container producers became more conscious about the importance of quality artwork of metal packaging in marketing their products.

PROSPECTS

The rapid growth in metal packaging industry is expected to act as a driving force for the overall results of the Group, thereby contributing to sustain expeditious development of the Group in the coming years. The Group will continue to improve its competitive edge through the following strategies:

(i) ***Diversification of products and services to enhance profitability***

The Group began to develop two-piece tinplate cans processing technology - a state-of-the-art cans processing technology which not only solves the problems of rusting, but also possesses better appearance. In July 2003, the Group had signed a sales and purchase agreement to purchase a two-piece tinplate cans production line for packaging meat and fish products. Management believes that this processing production line will bring in new orders and contribute to the profitability of the Group. The Group's management plans to provide a wider range of products to its customers in order to enhance the Group's profitability and its market share.

(ii) ***Continuous upgrade in technical expertise and research are the prerequisites to strengthen the Group's competitive edge***

The Group intends to collaborate with domestic scientific research institutes to develop distorted screen-printing technology and apply it to colour printing of two-piece tinplate food cans.

To enhance production technology, the Group will encourage continuous innovation, strictly enforce technological quality control standards, and maintain friendly relation with scientific research institutions.

(iii) ***Acquisition of new equipment to improve production capacity of the Group's existing production bases***

The Group intends to acquire a new colour printing production line in its Fuqing plant. The Group also plans to restructure the production site of Shanxi plant so as to expand the total production surface area.

(iv) ***Improve and expand the Group's sales network and after-sales service***

The Group will participate in various large-scale trade fairs and other activities to improve the Group's market recognition and image among its customers.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, the Group had aggregate bank loans of approximately RMB48.5 million (31 December 2002: RMB48.5 million) comprising short-term bank loans of approximately RMB41.5 million which will be repayable within one year and a long-term bank loan of RMB7.0 million which will be repayable in November 2005.

The Group's current ratio, as a ratio of current assets to current liabilities, was approximately 3.2 (31 December 2002: 2.0) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 15.6% (31 December 2002: 24.3%).

PLEDGE OF ASSETS

As at 30 June 2003, bank deposit of approximately RMB345,000 (31 December 2002: RMB765,000) was pledged to a bank to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2003, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2003, the Group had 341 employees mainly in the PRC and Hong Kong. The Group remunerates its employees largely based on industry practice. Remuneration packages comprise salary, commission and bonuses based on individual performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the date of listing of the Company's shares, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company established an audit committee which consists of two independent non-executive Directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the period ended 30 June 2003.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Yang Zongwang
Chairman

Hong Kong, 16 September 2003

Please also refer to the published version of this announcement in The Standard.