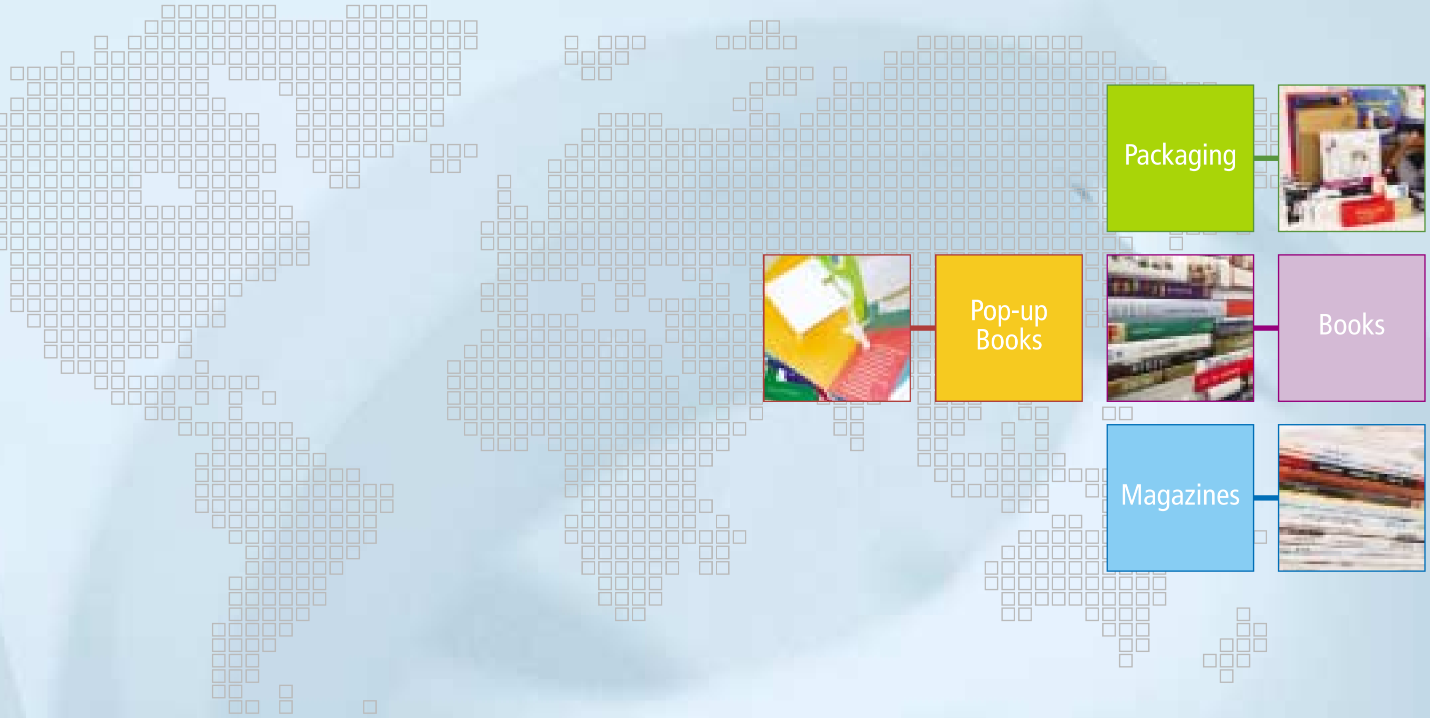
SNP LEEFUNG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)



SNP Leefung Holdings Limited

Acquisition of
SNP Excel United Company Limited
and
SNP SPrint (Thailand) Co., Ltd.
and
Amendments to Bye-Laws

Sponsor and Financial Adviser

大福融資有限公司
TAI FOOK CAPITAL LIMITED

IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SNP Leefung Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for the sole purpose of a special general meeting of SNP Leefung Holdings Limited. This circular does not constitute nor is it intended to constitute an offer to sell or a solicitation of an offer to buy any securities.

SNP Leefung

SNP LEEFUNG HOLDINGS LIMITED

利豐雅高印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 623

VERY SUBSTANTIAL ACQUISITION TREATED AS A REVERSE TAKEOVER AND AN APPLICATION FOR NEW LISTING AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SNP EXCEL UNITED COMPANY LIMITED AND AN EFFECTIVE INTEREST OF APPROXIMATELY 99.95% OF THE VOTING SHARE CAPITAL OF SNP SPRINT (THAILAND) CO., LTD. FROM SNP CORPORATION LTD AND AMENDMENTS TO BYE-LAWS OF THE COMPANY

Sponsor and Financial Adviser to SNP Leefung Holdings Limited

TAI FOOK 大福融資有限公司 TAI FOOK CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee of SNP Leefung Holdings Limited

ANGLO CHINESE CORPORATE FINANCE, LIMITED

A letter from Anglo Chinese Corporate Finance, Limited as the independent financial adviser to the independent board committee of SNP Leefung Holdings Limited is set out on pages 57 to 71 of this circular.

A notice convening a special general meeting of SNP Leefung Holdings Limited to be held at 10:30 a.m. on 6 September, 2004, Monday at Harbour Room, Level 56, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Admiralty, Hong Kong is set out on pages 395 to 399 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* *For identification purpose only*

14 August, 2004

PRELIMINARY

This circular contains information about the acquisition by the Company of the entire issued share capital of Excel and an effective interest of approximately 99.95% of the voting share capital of SPrint from SNP Corporation.

The Acquisition is a very substantial acquisition and a connected transaction for the Company under the Listing Rules and is conditional upon approval by the Independent Shareholders. The Acquisition is also treated as a reverse takeover and the Company is treated by the Stock Exchange as a new applicant for listing pursuant to the Listing Rules.

The Company has not authorised any person to provide you with information which is not contained in or is different from what is contained in this circular.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular. Any information or representation not contained in this circular must not be relied on by anybody as having been authorised by the Company, the Directors or any other person involved in the Acquisition.

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CONTENTS

This section aims to give you an overview of the information contained in this circular. It does not contain all the information that may be important to you. You should read the whole document before you make any decision about the Acquisition.

HISTORY OF THE GROUP

The Group was founded by Mr. Yang Sze Chen, Peter in 1960. Since September 1991, the Shares have been listed on the main board of the Stock Exchange.

On 13 February, 2001, S. I. Holdings Limited, a wholly owned subsidiary of Smurfit International B.V., subscribed for 100,792,000 new Shares that represented approximately 25% of the then enlarged issued share capital of the Company and became a substantial shareholder of the Company, with the Yang Family Trust remaining as the largest shareholder of the Company. On 4 July, 2003, SNP Corporation, acquired an aggregate shareholding interest of approximately 56.42% in the Company from S. I. Holdings Limited and the Yang Family Trust and made a general offer for the remaining Shares. As at the Latest Practicable Date, SNP Corporation held approximately 70.11% of the Company's entire issued share capital. On 28 August, 2003, the name of the Company was changed from Leefung-Asco Printers Holdings Limited to SNP Leefung Holdings Limited.

The Group is a diversified printing and packaging enterprise offering a one-stop service, covering pre-press printing to post printing and related distribution services. It is principally engaged in (i) books printing and magazines printing; and (ii) packaging printing.

Although headquartered in Hong Kong, the Group owns and operates two production facilities which are located in Shekou and Dongguan, the PRC respectively. The Shekou plant employs approximately 700 staff. Products of the Shekou plant are primarily for the local high-quality commercial print and color magazine markets.

The Dongguan plant employs approximately 1,300 staff for the production of both hard and soft cover color books for export to the US, Australian and European markets. Products include hard cover cases and soft cover books as well as children's books which are unique in design and require hand assembly. Sales are generated directly from the Hong Kong based sales team or through agents and/or representatives in other countries.

The Dongguan plant also employs approximately 700 staff for the production of all types of corrugated products as well as colored-box or folding cartons. Such products are utilized primarily by local manufacturers who in turn package their products for either domestic or export customers. Products include printed, unprinted, or laminated corrugated in various configurations, die-cut folding cartons for retail packaging, and retail display structures.

The books, magazines and packaging materials produced in the Shekou and Dongguan plants are delivered to the local customers by trucks and to the customers outside of the PRC by forwarders which handle the transportation of the goods to the port of delivery.

THE ACQUISITION AGREEMENT

On 3 May, 2004, the Company and SNP Corporation entered into the Acquisition Agreements pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Excel and an effective interest of approximately 99.95% of the voting issued share capital of SPrint from SNP Corporation for a total cash consideration of S$88 million (equivalent to approximately HK$404.1 million). Details of the Acquisition Agreements are summarised below:

The Excel Agreement

Date

3 May, 2004 (as varied by a deed of variation dated 14 August, 2004)

Parties

Vendor	:	SNP Corporation, the controlling shareholder of the Company having an interest of approximately 70.11% in the entire issued share capital of the Company as at the Latest Practicable Date
Purchaser	:	the Company

Assets to be acquired

7,000,000 ordinary shares in the issued share capital of Excel, representing the entire issued and paid up capital of Excel.

Consideration

The consideration for the acquisition of the Excel Sale Shares pursuant to the Excel Agreement is S$70,480,000 (equivalent to approximately HK$323.7 million). The consideration has been agreed after arm's length negotiation by reference to what the Company believes is a reasonable price earnings multiple of a company carrying on this type of business and represents a price earnings multiple of approximately 9.5 times of the audited consolidated net profit of Excel for the year ended 31 December, 2003 of approximately HK$34.1 million.

The consideration will be fully satisfied in cash from the Company's internal resources and bank borrowings. It is expected that the acquisition of the Excel Sale Shares will be financed as to approximately HK$250 million by bank borrowings and the balance of approximately HK$73.7 million by internal funding. However, the Directors will review the financial position, in particular the cash position, of the Group at the time closer to completion of the Acquisition before determining the exact amount of internal funding and bank borrowings to be used for financing the Acquisition. The Directors have confirmed that the Group has sufficient cash on hand and unutilized banking facilities to pay for the consideration.

Conditions

Completion of the Excel Agreement is conditional on the following material conditions:

i. approval by the Independent Shareholders of the Excel Agreement;

ii. approval by the shareholders of SNP Corporation of the Excel Agreement unless otherwise waived by the Singapore Exchange;

iii. consent and/or approval by the Singapore Exchange in the case of SNP Corporation, and by the Stock Exchange in the case of the Company, of the transactions contemplated by the Acquisition Agreements;

iv. completion of the SPrint Agreement; and

v. no indication from the Stock Exchange or the Securities and Futures Commission that the listing of the Shares will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of completion of the Excel Agreement or in connection with the terms of the Excel Agreement.

The SPrint Agreement

Date

3 May, 2004 (as varied by a deed of variation dated 14 August, 2004)

Parties

Vendor	:	SNP Corporation, the controlling shareholder of the Company having an interest of approximately 70.11% in the entire issued share capital of the Company as at the Latest Practicable Date
Purchaser	:	the Company

Assets to be acquired

(i) 10,339,999 SPrint Common Shares, representing approximately 94.93% of the total voting share capital of SPrint; and

(ii) 4,898 CTT Common Shares, representing approximately 98.93% of the total voting share capital of CTT.

CTT holds 440,000 SPrint Common Shares (representing approximately 4.04% of the total voting share capital of SPrint) and 11,219,996 SPrint Preference Shares (representing approximately 1.03% of the total voting share capital of SPrint).

Consideration

The consideration for the acquisition of the SPrint Sale Shares and the CTT Sale Shares pursuant to the SPrint Agreement is S$17,520,000 (equivalent to approximately HK$80.5 million). The consideration has been agreed after arm's length negotiation by reference to what the Company believes is a reasonable price earnings multiple of a company carrying on this type of business and represents an effective price earnings multiple of approximately 9.5 times of the audited net profit of SPrint for the year ended 31 December, 2003 of approximately Baht45.3 million (equivalent to approximately HK$8.5 million based on the average exchange rate for the year).

The consideration will be fully satisfied in cash from the Company's internal resources and bank borrowings. It is expected that the acquisition of the SPrint Sale Shares and the CTT Sale Shares will be financed as to approximately HK$80 million by bank borrowings and the balance by internal funding. However, the Directors will review the financial position, in particular the cash position, of the Group at the time closer to completion of the Acquisition before determining the exact amount of internal funding and bank borrowings to be used for financing the Acquisition. The Directors have confirmed that the Group has sufficient cash on hand and unutilized banking facilities to pay for the consideration.

Conditions

Completion of the SPrint Agreement is conditional on the following material conditions:

i. approval by the Independent Shareholders of the SPrint Agreement;

ii. approval by the shareholders of SNP Corporation of the SPrint Agreement unless otherwise waived by the Singapore Exchange;

iii. consent and/or approval by the Singapore Exchange in the case of SNP Corporation and the Stock Exchange in the case of the Company of the transactions contemplated by the Acquisition Agreements;

iv. completion of the Excel Agreement; and

v. no indication from the Stock Exchange or the Securities and Futures Commission that the listing of the Shares will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of completion of the SPrint Agreement or in connection with the terms of the Acquisition Agreements.

Based on the combined net asset value of the Acquired Companies of approximately HK$251.7 million as at 31 March, 2004, the goodwill arising on the Acquisition is expected to be approximately HK$152.4 million, which amount is subject to further adjustment in accordance with the net asset value of the Acquired Companies at the date of completion of the Acquisition and review by the Company's auditors. Pursuant to the Group's accounting policies, goodwill arising on the acquisition of subsidiaries is capitalized and amortised on a straight-line basis over 10 years.

THE ACQUIRED COMPANIES

Each of Excel and SPrint is principally engaged in the production of pop-up books and touch-and-feel books. CTT's principal asset is its shareholding of common and preferred shares in the issued share capital of SPrint.

REASONS FOR AND BENEFITS OF THE ACQUISITION

With the proven profitable track record of the Acquired Companies, the Acquisition will substantially increase the Company's earning bases. The Directors believe that the Acquisition will also enable the Enlarged Group to become one of the leading players in the printing industry and one of the world's largest pop-up and touch-and-feel books manufacturers having regard to their total turnover on a consolidated basis. In addition, the Directors consider that the Enlarged Group will be able to tap on certain marketing, production and purchasing synergistic opportunities arising from the merging of the business of the Group and those of the Acquired Companies.

FUTURE PLANS AND PROSPECTS

After completion of the Acquisition, the Directors will review the operation of the Group and those of the Acquired Companies with the ultimate goal of streamlining and merging the operation of the Group and those of the Acquired Companies and strengthening its market position and establishing a more efficient and cost-effective operation.

LISTING RULES REQUIREMENT

Since the aggregate audited consolidated profits of the Acquired Companies for the year ended 31 December, 2003 exceeds 100% of the audited consolidated profits of the Company for the year ended 31 December, 2003, the Acquisition constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules and is also treated as a reverse takeover pursuant to Rule 14.06(6) of the Listing Rules. The Stock Exchange has indicated to the Company that it will treat the Company as a new listing applicant pursuant to the Listing Rules if the Acquisition proceeds.

The Acquired Companies meet the requirements under Rule 8.05(1) of the Listing Rules and the Enlarged Group meets all the other basic conditions set out in Chapter 8 of the Listing Rules. A new listing application in respect of the Acquisition has been made to the Listing Committee of the Stock Exchange. **Such application may or may not be approved. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

As SNP Corporation is the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction pursuant to Rule 14A.13 of the Listing Rules and is conditional upon approval by the Independent Shareholders.

The Independent Board Committee has been established to consider the Acquisition and to advise the Independent Shareholders. Anglo Chinese has been appointed as the independent financial adviser to advise the Independent Board Committee regarding the Acquisition.

AMENDMENTS TO BYE-LAWS OF THE COMPANY

The Directors propose to amend the bye-laws of the Company mainly in compliance with the changes made to the Listing Rules by the Stock Exchange which became effective on 31 March, 2004. Details of the proposed amendments are set out in Appendix VIII to this circular.

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Acquired Companies"	Excel, SPrint and CTT
"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the Acquisition Agreements
"Acquisition Agreements"	the Excel Agreement and the SPrint Agreement
"Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, a deemed licensed corporation under the SFO permitted to engage on types 1, 4, 6 and 9 of the regulated activities (as defined in the SFO) and the independent financial adviser to the Independent Board Committee in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baht"	Thai Baht, the lawful currency of the Kingdom of Thailand
"Board"	board of Directors
"Company"	SNP Leefung Holdings Limited, a company incorporated in Bermuda with limited liability on 3 June, 1991 and whose securities are listed on the Stock Exchange
"CTT"	CTT & Associates Limited, a company incorporated under the laws of the Kingdom of Thailand. CTT holds 440,000 SPrint Common Shares (representing approximately 4.04% of the total voting share capital of SPrint) and 11,219,996 SPrint Preference Shares (representing approximately 1.03% of the total voting share capital of SPrint)
"CTT Common Shares"	common shares of Baht100 each in the share capital of CTT
"CTT Sale Shares"	4,898 CTT Common Shares, representing approximately 98.93% of the total voting share capital of CTT
"Directors"	the directors of the Company
"Enlarged Group"	the Group, the Excel Group, SPrint and CTT

"Excel"	SNP Excel United Company Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of SNP Corporation
"Excel Agreement"	the conditional sale and purchase agreement dated 3 May, 2004, as varied by a deed of variation dated 14 August, 2004, entered into between the Company and SNP Corporation in relation to the acquisition of the Excel Sale Shares by the Company
"Excel Group"	Excel and its subsidiaries
"Excel Sale Shares"	7,000,000 ordinary shares of HK$1.00 each in the issued share capital of Excel, representing the entire issued share capital of Excel
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board, comprising Mr. Kyle Arnold Shaw, Jr. and Mr. Lai Ming, Joseph, both being independent non-executive Directors, who have been appointed to advise the Independent Shareholders in relation to the Acquisition
"Independent Shareholders"	the shareholders of the Company other than SNP Corporation and its associates
"Latest Practicable Date"	10 August, 2004, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	the listing sub-committee of the directors of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purposes of this circular exclude Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"S$"	Singapore dollars, the lawful currency of Singapore
"Sale Shares"	the Excel Sale Shares, the SPrint Sale Shares and the CTT Sale Shares
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider the Acquisition and the proposed amendments to bye-laws of the Company, details of which are set out in Appendix VIII to this circular
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Singapore Exchange"	The Singapore Exchange Securities Trading Ltd.
"SNP Corporation"	SNP Corporation Ltd, a company incorporated in Singapore and whose issued shares are listed on the Singapore Exchange. SNP Corporation is the controlling shareholder of the Company having a shareholding interest of approximately 70.11% as at the Latest Practicable Date
"SNP Group"	SNP Corporation and its subsidiaries
"SPrint"	SNP SPrint (Thailand) Co., Ltd., a company incorporated under the laws of the Kingdom of Thailand. SPrint was formerly known as Sirivatana Palace Press Company Limited, the name of which was changed to SNP Sirivatana Co. Ltd on 5 April, 1999 and to SNP SPrint (Thailand) Co., Ltd. on 1 April, 2002
"SPrint Agreement"	the conditional sale and purchase agreement dated 3 May, 2004, as varied by a deed of variation dated 14 August, 2004, entered into between the Company and SNP Corporation in relation to the acquisition of the SPrint Sale Shares and the CTT Sale Shares by the Company
"SPrint Common Shares"	common shares of Baht10 each in the share capital of SPrint having the right to one vote per share
"SPrint Preference Shares"	non-convertible preference shares of Baht10 each in the share capital of SPrint having the right to one vote per one hundred shares. These shares are entitled to non-cumulative dividends at the fixed rate of Baht4.50 per share per annum

"SPrint Sale Shares"	10,339,999 SPrint Common Shares, representing approximately 94.93% of the total voting share capital of SPrint
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tai Fook"	Tai Fook Capital Limited, a deemed licensed corporation under the transitional arrangement to carry on Type 6 regulated activities for the purposes of the SFO
"Track Record Period"	the three financial years ended 31 December, 2003 and the three months ended 31 March, 2004
"US" or "United States"	the United States of America
"US$" or "USD"	the United States of America dollars, the lawful currency of the United States
"Yang Family Trust"	the Yang Family Trust, a discretionary trust the trustee of which is Equity Trustee Limited, and the discretionary beneficiaries of which include Mrs. Maria Yang, wife of Mr. Yang Yat Kwei, John (a brother-in-law of Mr. Yang Sze Chen, Peter, an executive Director), and the children of Mr. Yang Yat Kwei, John

For illustration purpose, the following currency conversion rates have been used in this circular:

For translation of profit and loss items for:

year ended 31 December, 2001	HK$1 = Baht5.70642; HK$4.2220 = S$1
year ended 31 December, 2002	HK$1 = Baht5.51719; HK$4.4945 = S$1
year ended 31 December, 2003	HK$1 = Baht5.33574; HK$4.5698 = S$1
3 months ended 31 March, 2004	HK$1 = Baht5.04000; HK$4.6525 = S$1

For translation of balance sheet items as at 31 December:

2001	HK$1 = Baht5.67325
2002	HK$1 = Baht5.53931
2003	HK$1 = Baht5.10433

For translation of figures as at the date of this circular:

S$1	=	HK$4.5921*
HK$1	=	Baht5.1049*

* Represents the average conversion rate for the 5 business days immediately preceding 3 May, 2004, the date of the Acquisition Agreements.

No representation is made that any amount in Hong Kong dollars, Singapore dollars or Thai Baht could have been or could be converted at the above rates or any other rates.

	2004
Latest time for lodging forms of proxy for the SGM	10:30 a.m. on 4 September
SGM[1]	10:30 a.m. on 6 September

Note (1): Shareholders on the register of members of the Company on the date of the SGM will be entitled to vote at the SGM. There will be no book closure to determine who will be entitled to vote at the SGM.

In addition to the other information contained in this circular, you should take into account the following risks in considering the Acquisition. If any of these risks occurs, the business, financial condition or operating results of the Enlarged Group could be adversely affected.

RISKS RELATING TO THE ACQUISITION

Risk relating to the integration of the Acquired Companies into the Group's operations

The success of the Acquisition will depend in part on the Group's ability to integrate the operations, in particular, the printing operations and the marketing teams, of the Acquired Companies into its existing business. There can be no assurance that the Group will be able to integrate these businesses or the management successfully or that the Group will not encounter delays or incur unanticipated costs in such integration. If the Group is not successful in integrating the Acquired Companies' operations into its operations, if there are delays in the integration, if the integrated operations fail to achieve market acceptance or if unanticipated costs are incurred in the integration, the full potential of the Enlarged Group may not be realised.

Risk relating to the seasonality of the business of the Acquired Companies

There may be seasonal fluctuations to the sales of the Acquired Companies. Demands for children books are normally lower during the first quarter of each year, resulting in the sales of the Acquired Companies in the remaining quarters of each year being proportionally higher than that in the first quarter of the year. The financial results of the Acquired Companies are therefore subject to such seasonality factors and the financial results of the Acquired Companies for one period may not reflect that of another period during a financial year.

Risk relating to the non-completion of the Acquisition

Completion of the Acquisition Agreements are subject to the fulfillment of a number of conditions precedent which involve the decisions of third parties, including the approvals of the Independent Shareholders and the regulators in Hong Kong and Singapore. In particular, should the Stock Exchange consider that the Company may fail to comply with the requirements of Rules 8.08(2) and (3) of the Listing Rules as at the time of completion of the Acquisition, the Stock Exchange may not grant approval for the Company's application for a new listing in respect of the Acquisition and, as a result thereof, the above conditions precedent may not be fulfilled. As the fulfillment of the conditions precedent is not all within the control of the Company, there is no assurance that the Acquisition will be completed as contemplated.

RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

Risks relating to the printing industry

The Enlarged Group is principally engaged in the printing industry and the printing industry in the PRC is highly regulated. To the extent that there are changes to the PRC laws and regulations in relation to this industry which affect the Enlarged Group, and the Enlarged Group cannot comply with such changes, the business of the Enlarged Group may be adversely affected.

Risk relating to the loss of the services of key personnel

The Group believes that the success of the Acquired Companies is largely dependent on the abilities and experience of the senior management team of the Acquired Companies. The loss of the services of some of these senior executives could adversely affect the ability of the Acquired Companies to manage effectively its overall operations or successfully execute current or future business strategies.

Product safety

There may exist a risk if the products are found to be dangerous for children. While the Group and the Acquired Companies have in-house quality control teams to check for safety of their products as well as to send their new products to independent third parties for checking purpose, there is no guarantee that accidents relating to the use of the Enlarged Group's products will not arise.

Paper price fluctuation

Paper is the major raw material for the Enlarged Group's business. Paper costs accounted for approximately 53%, 51% and 49% of the Enlarged Group's total costs of sales for the three years ended 31 December, 2003 respectively. Although the prices of paper in the past three years have been relatively stable, there is no assurance that paper will not be subject to significant price fluctuations in the future. Any substantial increase in paper prices may adversely affect the profitability of the Enlarged Group if it is unable to pass such increase to its customers.

Dependent on the demands from the PRC and the US

Domestic sales to the PRC and export sales to the US accounted for approximately 40%, 37% and 30% and 36%, 39% and 42% of the Enlarged Group's total sales for the three years ended 31 December, 2003 respectively. While the economy of the PRC has been on a growing trend in the past few years, there is no guarantee that such growth will continue. On the other hand, the US market is more volatile and is subject to fluctuations caused by events like terrorist attack in September 2001 and the recent military action taken by the US government in Iraq. Any downturn in the economy of the PRC or the US may have an adverse impact on the Enlarged Group's profitability.

Currency exchange risk relating to Baht

The value of the Thai Baht floats against a basket of currencies made up of the US dollar and other currencies. It is possible that the Thai Baht to the basket of currencies exchange rate may become volatile. Fluctuations in the exchange rate may adversely affect the value transacted or converted into Hong Kong dollars of SPrint's assets and earnings. There is no assurance that any future movements in the exchange rate of the Thai Baht against the Hong Kong dollar and other foreign currencies will not adversely affect the Enlarged Group's operating results and financial conditions.

The legal basis for exchange restrictions in Thailand is derived from the Exchange Control Act (BE 2485) of 1942. Under that Act, Thailand regulates the manner in which money is brought into, taken out or, in certain cases, held in the country. Remittances of currency from Thailand to places outside of Thailand are to some degree controlled. Such controls may have an adverse effect on the ability of SPrint to remit monies outside of Thailand where necessary.

Risk relating to tenancy agreements in the PRC

The tenancy agreements of all the Excel Group's rented properties are not registered with the relevant land and building administrative authority. Such tenancy agreements are not binding on third parties. The relevant government authority may order the parties to the relevant tenancy agreements to complete the registration procedure and impose a penalty. In respect of some of these tenancy agreements, the PRC legal adviser is unable to verify that the respective landlords are the owners of the rented properties or have the right to lease the same. If the landlord's title is imperfect or he does not have the authority to grant the lease, the tenant may be evicted from the rented property. Some of the buildings occupied by the Excel Group may not have completed the construction work planning procedure and the fire safety and construction completion inspections. The relevant government authority may order completion of such procedures, demolition of the buildings or require ratification work to be carried out and impose a penalty.

In this regard, SNP Corporation has given an indemnity to the Group that in the event that the Group incurs and/or suffers any losses, costs, expenses, claims or damages as a result of any defects of title or interests of the Excel Group's PRC property interest (the "Acquired Group's Properties"), the invalidity and/or the illegality of any of the agreements (the "Relevant Agreements") from which the relevant member of the Group ultimately derives its right to occupy or use the Acquired Group's Properties, the lack of or inadequate power and authority of the respective landlords of the Acquired Group's Properties to enter into or execute the

Relevant Agreements, the lack of title or interests of the respective landlords in the Acquired Group's Properties and/or the failure to attend or complete the requisite legal formalities in relation to the Relevant Agreements, SNP Corporation will indemnify and at all times keep the Group effectively indemnified against all losses, costs, expenses, claims or damages (the "Total Costs") that the Group would incur as a result thereof provided always that the indemnity for Total Costs in respect of each of the Acquired Group's Properties shall not exceed the value of the particular property plus 10%. SNP Corporation has further undertaken to indemnify and at all times keep the Group effectively indemnified against all costs and expenses arising from the relocation of any member of the Acquired Companies' businesses and assets from the Acquired Group's Properties to any other properties which are comparable and substantially similar to the Acquired Group's Properties.

Preferential tax treatment

SPrint has obtained two certificates for Investment Promotion Privileges, one of which was in respect of full exemption from corporate income tax on net income from August 1994 to July 2002 and a 50% tax privilege from August 2002 to July 2007, and the other was in respect of full exemption from corporate income tax on net income from June 2001 to May 2009 and a 50% tax privilege from June 2009 to May 2014. There is no assurance that the existing tax laws in Thailand, its application or its interpretation will remain unchanged. To the extent that there are any such changes which are not beneficial to SPrint, the Enlarged Group's profitability may be adversely affected.

Certificates, permits and licences

The Group and the Excel Group hold various licences and permits in order for them to carry on the business of printing and publishing. In the event that any material permits and/or licences cannot be renewed when they expire or such permits and/or licences are revoked, the business of the Group and the Excel Group may be adversely affected.

Gearing

Based on the proforma combined balance sheet of the Enlarged Group as at 31 December, 2003 set out in Appendix V to this circular (assuming that the Acquisition is financed as to approximately HK$330 million by bank borrowings), the gearing ratio of the Enlarged Group as at 31 December, 2003 was approximately 75%. The financial performance of the Enlarged Group would be adversely affected should the Enlarged Group be unable to secure sufficient funding when the facility becomes payable or if the facility becomes repayable prior to the end of its term.

Labour costs

The production process of SPrint and the Excel Group is highly labour intensive. As the cost of labour in the PRC and Thailand continue to grow with their economies, labour costs for the Enlarged Group will also increase as a result. The financial position and profitability of the Enlarged Group would be adversely affected in the event that the rate of growth of labour costs exceeds that of the growth of profitability.

Political and economic considerations

The Enlarged Group's business is dependent on, amongst other factors, the prevailing political and economic conditions in the PRC.

The PRC economy has traditionally been a planned economy. Whilst the PRC government has pursued economic reforms since its adoption of the open-door policy in 1978, a large part of the PRC economy is still operated under the five-year plans and annual state plans. Through these plans and other economic measures, such as control on foreign exchange, taxation and restrictions on the import and distribution of goods, the PRC government exerts considerable direct and indirect influences on the economy.

Changes in the social, political or economic conditions in the PRC may lead to changes in its policies, which may in turn affect the growth of the PRC economy and hence, the Enlarged Group's business.

Dating from 1932, Thailand has been a democratic constitutional monarchy with the King as head of State. The constitution recognises the King as head of State, head of the armed forces, upholder of the Buddhist religion and upholder of all religions. The King's sovereign power emanates from the Thai people and is exercised by legislative power through the National Assembly, executive power through the Cabinet and judicial power through the law courts.

Changes in the sovereign, social, political or economic conditions in Thailand may lead to changes in its policies, which may in turn affect the growth of the Thailand economy and hence, SPrint's business.

Technology changes in the printing industry

Production technology in the printing industry has evolved and continues to evolve. In particular, advances in computer and related communication technologies have enabled certain products that were once printed by commercial printers to be generated on computers through word processing or desktop publishing software. In addition, dissemination of information in digital or electronic formats has reduced the use of printed products. This trend is expected to continue in the future. To remain competitive in the printing industry, the Enlarged Group may be required to make substantial capital expenditures to keep up with technological changes.

Dividends

The Company paid dividends of approximately HK$20 million for each of the two years ended 31 December, 2003. Notwithstanding these payments, there is no assurance that future dividends of the Company will be determined by reference to the abovementioned past dividend payments. There can be no assurance that the payment of dividends in the future will be repeated.

Potential competing business operated by SNP Corporation

SNP Corporation has undertaken to the Company that subject to completion of the Acquisition:

(i) SNP Group (excluding the Enlarged Group) shall not expand organically its existing business activity to printing of books (including case-bound books, children books, pop-up books and touch-and-feel books), magazines and packaging products save for the printing of books for the sole purpose of better utilising its production capacity during low seasons, which turnover amount shall not exceed S$20 million (equivalent to approximately HK$91.8 million) per annum; and

(ii) when a merger and acquisition opportunity in printing or publishing, which may involve printing of books, magazines and packaging products (the "Relevant Business"), arises, it shall give the Company the right of first refusal to co-invest or to acquire separately and independently the Relevant Business within such opportunity. If the Company decides not to exercise such right as approved by the independent non-executive Directors, SNP Corporation may consider proceeding with such merger and acquisition opportunity itself or together with other parties.

The above undertaking automatically expires upon the occurrence of any of the following events (whichever is the earlier):

(i) SNP Corporation ceases to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(ii) the Shares cease to be listed on the Stock Exchange.

In the event SNP Corporation acquires companies which involve in printing of books, magazines and packaging products and the Company does not exercise the right of first refusal as mentioned above to co-invest or to acquire such companies, SNP Corporation (excluding the Enlarged Group) may compete with the Enlarged Group.

DIRECTORS

Name	Address	Nationality
Executive Directors		
YEO Chee Tong	Apartment D, 2nd Floor Block 5, The Mount Austin 8 Mount Austin Road Hong Kong	Singaporean
YANG Sze Chen, Peter	6th Floor, Ka Ning Path 14 Fontana Gardens Hong Kong	Chinese
Non-executive Directors		
TAY Siew Choon	6 Third Avenue Singapore 266579	Singaporean
WONG Kwong Shing, Frank	6 Swiss Club Road Singapore 288141	British
Independent Non-executive Directors		
CHENG Wai Wing, Edmund	16 Peel Road Singapore 248620	Singaporean
WALTER John Robert	401 North Ahwahnee Road Lake Forest IL 60045 US	US
SHAW Kyle Arnold, Jr.	Flat A, 3rd Floor The Beachside 82 Repulse Bay Road Repulse Bay Hong Kong	US
LAI Ming, Joseph	12F, Gold Ning Mansion 5 Tai Hang Drive Hong Kong	Canadian

Financial Adviser and Sponsor to the Company	Tai Fook Capital Limited 25th Floor, New World Tower I 16-18 Queen's Road Central Hong Kong
Legal Adviser to the Company as to Hong Kong law	Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Hong Kong
Legal Adviser to the Company as to Bermuda law	Appleby Spurling Hunter 5511 The Center 99 Queen's Road Central Central Hong Kong
Legal Advisers to the Company as to PRC law	GFE Law Office 15th Floor, Chengyue Plaza 448 Dongfeng Zhong Road Guangzhou PRC and Hills & Co. 11th Floor, Central Business Building No. 88 Fu Hua 1st Road Fu Tian Central Business District Shenzhen PRC
Legal Adviser to the Company as to Thailand law	Bangkok International Associates Limited 17th Floor, New ITF Tower 140/36-37 Silom Road Bangrak Bangkok 10500 Thailand
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong

Property Valuer	Sallmanns (Far East) Limited 22nd Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Independent Financial Adviser to the Independent Board Committee	Anglo Chinese Corporate Finance, Limited 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong

Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Head office and principal place of business in Hong Kong	Room 1001-3, 10th Floor Wing On House 71 Des Voeux Road Central Hong Kong
Company secretary	Lo Kin Cheung, FHKSA, FCCA
Qualified accountant	Lo Kin Cheung, FHKSA, FCCA
Authorised representatives	Yeo Chee Tong Apartment D, 2nd Floor Block 5, The Mount Austin 8 Mount Austin Road Hong Kong Lo Kin Cheung Flat F, 27th Floor, Block 11 South Horizons Ap Lei Chau Hong Kong
Audit committee	Walter John Robert *(Chairman)* Cheng Wai Wing, Edmund Shaw Kyle Arnold, Jr. Lai Ming, Joseph
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong BNP Paribas 4th-18th Floors, Central Tower 28 Queen's Road Central Hong Kong

Share registrar and transfer office	Tengis Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong

The information provided in this section is derived from various government publications. This information has not been prepared or independently verified by the Directors, the sponsor of the Company, or their respective advisers and they therefore do not make any representations on the accuracy of such information. Such information may not be consistent with other information available and may not be accurate and should not be unduly relied upon. Reasonable care has been exercised by the Directors in reproducing such information.

THE PRINTING INDUSTRY IN HONG KONG

Industry Features

Printing is the largest manufacturing industry in Hong Kong in terms of establishment unit. According to the official statistics updated on 21 October, 2003 from Hong Kong Trade Development Council, the gross output of the printing industry reached HK$31,328 million in 2001, with a total of 4,782 manufacturing establishments hiring 42,138 workers as of September 2002. Over 85% of them are small and medium enterprises (SMEs) employing less than 10 workers in Hong Kong.

No. of establishments as of September 2002	4,782
Employment as of September 2002	42,138
Gross output for the year ended 31 December, 2001	HK$31,328 million

Source: Hong Kong Trade Development Council

Printers in Hong Kong manufacture a range of printing materials, including books, booklets, brochures, pamphlets and leaflets, and paper and paperboard labels which are used mainly for packaging. Other categories include advertising materials, commercial catalogues, calendars, postcards and greeting cards. Some specialise in the manufacture of higher value-added printing products such as children's novelty books that require considerable skills and substantial capital investment.

The printing industry in Hong Kong is known for quality, quick delivery and competitive pricing. Printers in Hong Kong have invested considerably in advanced machinery and equipment in recent years. Many are equipped with advanced models of lasersetters, electronic colour scanners, electronic page-composing systems, digital printers, automatic finishing systems and one to five-colour printing machines. Many Hong Kong companies are equipped with lamination machines, die-cutting, paper-cutting, shrink-wrapping, folding, hot-stamping and binding machines, etc. to keep the production process in-house to ensure a quality product. A few of them have also introduced computer-to-plate ("CTP") systems, as well as equipment for security printing.

To reduce operation costs, particularly in post-press services, almost all of Hong Kong's large sized printers, as well as some medium sized ones, have set up production facilities in the Chinese mainland. This trend of plant expansion is expected to continue, helped by the mainland authority lessening its restrictions on foreign companies participating in the printing industry in 2001.

Performance of Hong Kong's Exports of Printed Matter

Hong Kong's total exports of printed matter have remained robust. Even in a time when overseas demand was feeble and buyer sentiment was struck by the US-Iraqi War and the SARS epidemic, Hong Kong's exports of printed matter rose by 12% in the first half of 2003, continuing on the growth of 6% last year.

According to Hong Kong Trade Development Council, the US was Hong Kong's largest market for printed matter, making up 39% of the total in 2002. Despite slower demand in the US, exports to the country recorded a growth of 13% in 2002 and another 10% in the first half of 2003. Exports to Japan also soared by 39% in 2002 and 36% in the first half of 2003. Exports to the EU were relatively weak last year but rebounded by 10% in the six months to June 2003.

Major Markets of Hong Kong Printed Matter

	2001		2002		January-June 2003	
By Market	**Share**	**Growth**	**Share**	**Growth**	**Share**	**Growth**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
US	36.9	+5	39.5	+13	37.3	+10
Chinese Mainland	15.4	-6	14.8	+1	15.1	+7
EU	17.8	-9	16.9	*	16.3	+10
United Kingdom	11.0	-3	11.0	+6	9.8	+2
ASEAN *(Note)*	7.6	-10	7.4	+4	8.8	+25
Others	12.2	-32	11.4	+1	12.2	+69

**:* Insignificant.
Source: Hong Kong Trade Development Council
Note: Association of South-East Asian Nations "ASEAN", including member states of Malaysia, the Republic of Indonesia, the Republic of the Philippines, the Republic of Singapore and the Kingdom of Thailand.

Sales Channels

An estimated 60-70% of the export business is attributable to orders received directly from overseas countries. Within this, about a quarter of them come from major international publishers in Hong Kong including Oxford University Press, Longman and Macmillans. Other overseas customers include Walt Disney, Penguin, Reader's Digest and Hallmark Cards. Export orders are mainly handled by larger printers or dealers, who have established business relationships with overseas customers. In an effort to capture overseas business, large Hong Kong printing companies have established offices overseas.

Children's book industry

Children's book accounts for a significant portion of the publishing industry. The following table illustrates the estimated book publishing industry net sales in US by book categories for 1992, 1997, 2001 to 2003:

Estimated Book Publishing Industry Net Sales 1992, 1997, 2000-2003

Estimated Book Publishing Industry Net Sales 1992, 1997, 2001-2003 *(US$'000)*

	1992 Census	1997 Census	2001 $	2001 % Change	2002 $	2002 % Change	2003 $	2003 % Change	Compound Growth Rate 1992-2003	Compound Growth Rate 1997-2003
Trade (Total)	2,214,425	4,227,878	4,537,402	-3.2%	5,002,325	10.2%	5,063,813	1.2%	7.8%	3.1%
Adult Hardbound	1,204,438	2,254,632	2,227,070	-2.0%	2,512,135	12.8%	2,451,844	-2.4%	6.7%	1.4%
Adult Paperbound	531,641	1,175,442	1,305,774	1.2%	1,474,219	12.9%	1,465,374	-0.6%	9.7%	3.7%
Juvenile Hardbound	369,673	547,803	528,498	-27.0%	542,767	2.7%	697,999	28.6%	5.9%	4.1%
Juvenile Paperbound	108,673	250,001	476,060	19.1%	473,204	-0.6%	448,597	-5.2%	13.8%	10.2%
Book Clubs & Mail Order	N/A	1,982,213	1,563,540	-9.0%	1,422,821	-8.0%	1,308,996	-9.0%	N/A	-6.7%
Mass Market Paperback	927,543	878,436	1,044,772	-1.3%	1,239,100	18.6%	1,218,035	-1.7%	2.5%	5.6%
Religious	262,291	753,968	868,782	4.7%	840,112	-3.3%	1,261,848	50.2%	15.4%	9.0%
Professional	2,360,903	3,107,362	3,526,575	-8.0%	3,840,440	8.9%	3,978,696	3.6%	4.9%	4.2%
El-Hi (K-12 Education)	1,833,540	2,457,828	4,406,019	7.8%	4,185,718	-5.0%	4,290,361	2.5%	8.0%	9.7%
Higher Education	1,653,702	2,602,882	2,899,127	7.4%	3,273,115	12.9%	3,390,947	3.6%	6.7%	4.5%
Standardized Tests	210,982	356,281	465,616	6.8%	526,612	13.1%	591,912	12.4%	9.8%	8.8%
All Other	N/A	853,862	1,742,682	18.4%	2,067,830	18.7%	2,315,970	12.0%	N/A	18.1%
Total	9,463,386	17,220,710	21,054,514	1.2%	22,398,072	6.4%	23,420,576	4.6%	8.6%	5.3%

N/A: *Statistic not available*

Source: *Prepared by Management Practice Inc. based on year-to-date data in the AAP 2003 December Monthly Sales Report, the US Department of Commerce's Census of Manufacturers (1997) and other statistical data.*

As illustrated in the above table, the juvenile book section experienced steady growth throughout the period from 1992 to 2003.

REGULATORY AND LEGAL FRAMEWORK OF THE PRINTING INDUSTRY IN THE PRC AND THAILAND

On 8 March, 1997, the State Council (國務院) of the PRC promulgated the Regulations of Administration of Printing Industry (《印刷業管理條例》); the "Old Regulations") which was effective from 1 May, 1997. On 2 August, 2001, the State Council (國務院) of the PRC promulgated and implemented the new Regulations of Administration of Printing Industry (《印刷業管理條例》); the "New Regulations") to replace the Old Regulations. Being the major laws governing the printing industry in the PRC, the Old Regulations and the New Regulations are applicable to the printing industry of publication, package printing and printing of other products in the PRC. As advised by PRC legal advisers, the main differences between the Old Regulations and the New Regulations are as follows: (a) wholly foreign-owned enterprises were prohibited from engaging in printing business under the Old Regulations. However, the New Regulations has relaxed such prohibition by allowing wholly foreign-owned enterprises engaging in printing business in relation to packaging; (b) the printing licenses for enterprises engaging in printing of publications, packaging and/or other printed matters are different under the Old Regulations. However, under the New Regulations, the above licenses have been combined and an unified license will be issued to all printing enterprises; (c) the Old Regulations required the publishers to obtain approval issued by the Press and Publishing Authorities in the PRC prior to printing of any publications. However, under the New Regulations, such requirement has been relaxed and publishers are only required to make the requisite filing with the Press and Publishing Authorities prior to printing of any publications subject to a few exceptions (including publication of certain non-public information which has to be approved by Public Securities Authorities in advance); (d) the Old Regulations did not provide how to regulate those printing enterprises established before its commencement. However, the New Regulations requires that those printing enterprises established before its commencement shall renew their then existing printing licences; and (e) the administrative punishment specified in the Old Regulations and the New Regulations are different. The New Regulations provides a more detailed list of administrative punishment than the Old Regulations. The General Administration of Press and Publication of the PRC (國家新聞出版總署) ("GAPP"), formerly known as the Administration of Press and Publication of the PRC (國家新聞出版署) before 2001, was established in 1987 as an institution under the State Council (國務院) which is principally responsible for regulating the news publication industry in the PRC, including the printing industry.

According to the Old Regulations and the New Regulations, newly established legal entities or individuals in the PRC are not allowed to be engaged in printing activities unless they have obtained the Printing Business Licence (《印刷經營許可證》) from the publication administrative authority at provincial level and, if the printing enterprises are foreign investment enterprises, the approval from the GAPP. In addition, entities or individuals engaged in printing activities are required to obtain the Special Business Licence (《特種行業許可證》) from the local department of Public Security in accordance with the Old Regulation and the New Regulations. However, the requirement of obtaining the Special Business Permit (《特種行業許可證》) was cancelled on 1 November, 2002.

According to the Temporary Regulations for the Establishment of Foreign Investment Printing Enterprises (《設立外商投資印刷企業暫行規定》; the "Temporary Regulations") jointly promulgated by the GAPP and the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部) (now the Ministry of Commerce of the PRC (中華人民共和國商務部)) on 29 January, 2002, the establishment of joint venture enterprises engaged in publication, package printing and the printing of other printing products is allowed in the PRC. In addition, according to the Temporary Regulations, (i) for newly established foreign investment enterprises engaged in the printing industry (including wholly foreign owned enterprises and Sino-foreign joint ventures), the approval from the GAPP is required to be obtained; and (ii) all existing foreign investment enterprises which have obtained the Printing Business Licence (《印刷經營許可證》) on or before the effective date of the Old Regulations should obtain re-approval of the licence from the GAPP. On 22 September, 2003, the GAPP also issued the Procedures for the Application and Reporting of the Establishment of Foreign Investment Printing Enterprises (《設立外商投資印刷企業申報規程》) (the "Reporting Procedures") which specifics, among others, the reporting procedures (including the obtaining of the approval from the GAPP) that the existing foreign investment enterprises have to comply with if they have expanded their scope of business to printing business.

The legal advisers to the Company as to Thai law has indicated that there are no regulatory requirement or restrictions for the printing business carried on by SPrint in Thailand. However there are regulatory requirements and restrictions on printing and publishing of newspapers, which is a business not conducted by SPrint.

SNP LEEFUNG HOLDINGS LIMITED

利豐雅高印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 623

Executive Directors:
Yeo Chee Tong
Yang Sze Chen, Peter

Non-executive Directors:
Tay Siew Choon
Wong Kwong Shing, Frank

Independent non-executive Directors:
Cheng Wai Wing, Edmund
John Robert Walter
Kyle Arnold Shaw, Jr.
Lai Ming, Joseph

Registered Office:
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

Principal place of business in Hong Kong:
Room 1001-3, 10th Floor
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

14 August, 2004

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
TREATED AS A REVERSE TAKEOVER AND
AN APPLICATION FOR NEW LISTING AND
CONNECTED TRANSACTION INVOLVING
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
SNP EXCEL UNITED COMPANY LIMITED AND
AN EFFECTIVE INTEREST OF APPROXIMATELY 99.95% OF
THE VOTING SHARE CAPITAL OF
SNP SPRINT (THAILAND) CO., LTD. FROM
SNP CORPORATION LTD
AND
AMENDMENTS TO BYE-LAWS OF THE COMPANY**

INTRODUCTION

The Board is pleased to announce that on 3 May, 2004, the Company and SNP Corporation entered into the Acquisition Agreements pursuant to which the Company conditionally agreed to acquire the Sale Shares from SNP Corporation for a total cash consideration of S$88 million (equivalent to approximately HK$404.1 million).

* *For identification purpose only*

THE ACQUISITION AGREEMENTS

The Excel Agreement

Date

3 May, 2004 (as varied by a deed of variation dated 14 August, 2004)

Parties

Vendor	:	SNP Corporation, the controlling shareholder of the Company having an interest of approximately 70.11% in the entire issued share capital of the Company as at the Latest Practicable Date
Purchaser	:	the Company

Assets to be acquired

7,000,000 ordinary shares in the issued share capital of Excel, representing the entire issued and paid up capital of Excel.

Consideration

The consideration for the acquisition of the Excel Sale Shares pursuant to the Excel Agreement is S$70,480,000 (equivalent to approximately HK$323.7 million). The consideration has been agreed after arm's length negotiation by reference to what the Company believes is a reasonable price earnings multiple of a company carrying on this type of business and represents a price earnings multiple of approximately 9.5 times of the audited consolidated net profit of Excel for the year ended 31 December, 2003 of approximately HK$34.1 million.

The consideration will be fully satisfied in cash from the Company's internal resources and bank borrowings. It is expected that the acquisition of the Excel Sale Shares will be financed as to approximately HK$250 million by bank borrowings and the balance of approximately HK$73.7 million by internal funding. However, the Directors will review the financial position, in particular the cash position, of the Group at the time closer to completion of the Acquisition before determining the exact amount of internal funding and bank borrowings to be used for financing the Acquisition. The Directors have confirmed that the Group has sufficient cash on hand and unutilized banking facilities to pay for the consideration.

Assignment of the rights to the escrow moneys

Pursuant to a verbal agreement between SNP Corporation and the then shareholders of Excel on 15 September, 2003, terms of which were subsequently confirmed in a letter agreement dated 8 October, 2003 among the same parties (the "Letter Agreement"), the then shareholders of Excel agreed with SNP Corporation that should the consolidated net profit of Excel for the year ending 31 December, 2004 be less than HK$30 million, SNP Corporation should be entitled to deduct the shortfall between the actual profit for the year ending 31 December, 2004 and HK$30 million from an aggregate sum of HK$12 million, being the escrow moneys deposited by SNP Corporation (which is part of the consideration paid by SNP Corporation to the then shareholders of Excel for the acquisition of 40% of the share capital of Excel). At completion of the Excel Agreement, SNP Corporation shall assign to the Company all its rights in respect of the Letter Agreement including the benefit of the escrow moneys. No separate undertaking has been given by the then shareholders of Excel to SNP Corporation on the consolidated net profit of Excel.

Conditions

Completion of the Excel Agreement is conditional on the following material conditions:

i. approval by the Independent Shareholders of the Excel Agreement;

ii. approval by the shareholders of SNP Corporation of the Excel Agreement unless otherwise waived by the Singapore Exchange;

iii. consent and/or approval by the Singapore Exchange in the case of SNP Corporation, and by the Stock Exchange in the case of the Company, of the transactions contemplated by the Acquisition Agreements;

iv. completion of the SPrint Agreement; and

v. no indication from the Stock Exchange or the Securities and Futures Commission that the listing of the Shares will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of completion of the Excel Agreement or in connection with the terms of the Excel Agreement.

The Directors consider that the terms of the Excel Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The SPrint Agreement

Date

3 May, 2004 (as varied by a deed of variation dated 14 August, 2004)

Parties

Vendor	:	SNP Corporation, the controlling shareholder of the Company having an interest of approximately 70.11% in the entire issued share capital of the Company as at the Latest Practicable Date
Purchaser	:	the Company

Assets to be acquired

(i) 10,339,999 SPrint Common Shares, representing approximately 94.93% of the total voting share capital of SPrint; and

(ii) 4,898 CTT Common Shares, representing approximately 98.93% of the total voting share capital of CTT.

CTT holds 440,000 Sprint Common Shares (representing approximately 4.04% of the total voting share capital of SPrint) and 11,219,996 SPrint Preference Shares (representing approximately 1.03% of the total voting share capital of SPrint).

The legal advisers to the Company on Thai law are of the opinion that the shareholding structure of SPrint whereby its voting rights are controlled by SNP Corporation directly and indirectly through CTT does not and will not result in a breach or violation of any of the terms and provisions of any statute, rule or regulation of any governmental agency or body of Thailand with jurisdiction over SPrint and CTT.

Consideration

The consideration for the acquisition of the SPrint Sale Shares and the CTT Sale Shares pursuant to the SPrint Agreement is S$17,520,000 (equivalent to approximately HK$80.5 million). The consideration has been agreed after arm's length negotiation by reference to what the Company believes is a reasonable price earnings multiple of a company carrying on this type of business and represents an effective price earnings multiple of approximately 9.5 times of the audited net profit of SPrint for the year ended 31 December, 2003 of approximately Baht45.3 million (equivalent to approximately HK$8.5 million).

The consideration will be fully satisfied in cash from the Company's internal resources and bank borrowings. It is expected that the acquisition of the SPrint Sale Shares and the CTT Sale Shares will be financed as to approximately HK$80 million by bank borrowings and the balance by internal funding. However, the Directors will review the financial position, in particular the cash position, of the Group at the time closer to completion of the Acquisition before determining the exact amount of internal funding and bank borrowings to be used for financing the Acquisition. The Directors have confirmed that the Group has sufficient cash on hand and unutilized banking facilities to pay for the consideration.

Conditions

Completion of the SPrint Agreement is conditional on the following material conditions:

i. approval by the Independent Shareholders of the SPrint Agreement;

ii. approval by the shareholders of SNP Corporation of the SPrint Agreement unless otherwise waived by the Singapore Exchange;

iii. consent and/or approval by the Singapore Exchange in the case of SNP Corporation and the Stock Exchange in the case of the Company of the transactions contemplated by the Acquisition Agreements;

iv. completion of the Excel Agreement; and

v. no indication from the Stock Exchange or the Securities and Futures Commission that the listing of the Shares will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of completion of the SPrint Agreement or in connection with the terms of the Acquisition Agreements.

The Directors consider that the terms of the SPrint Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Guarantees and undertaking

Release of guarantees

The Acquired Companies' total available facilities from financial institutions as at 31 March, 2004 amounted to approximately HK$415 million. Of these facilities, an amount of approximately HK$369 million was secured by corporate guarantees from SNP Corporation.

Pursuant to the Acquisition Agreements, the Company shall be obliged to procure that the corporate guarantees provided by SNP Corporation in respect of the banking facilities of the Acquired Companies shall be released within 6 months from the date of completion of the Acquisition Agreements. The Directors confirmed that such corporate guarantees provided by SNP Corporation will be released upon completion of the Acquisition.

Undertaking by SNP Corporation

SNP Corporation has undertaken to the Company that subject to completion of the Acquisition:

(i) SNP Group (excluding the Enlarged Group) shall not expand organically its existing business activity to printing of books (including case-bound books, children books, pop-up books and touch-and-feel books), magazines and packaging products save for the printing of books for the sole purpose of better utilising its production capacity during low seasons, which turnover amount shall not exceed S$20 million (equivalent to approximately HK$91.8 million) per annum; and

(ii) when a merger and acquisition opportunity in printing or publishing, which may involve printing of books, magazines and packaging products (the "Relevant Business"), arises, it shall give the Company the right of first refusal to co-invest or to acquire separately and independently the Relevant Business within such opportunity. If the Company decides not to exercise such right as approved by the independent non-executive Directors, SNP Corporation may consider proceeding with such merger and acquisition opportunity itself or together with other parties.

The undertaking shall automatically expire upon the occurrence of any of the following events (whichever is the earlier):

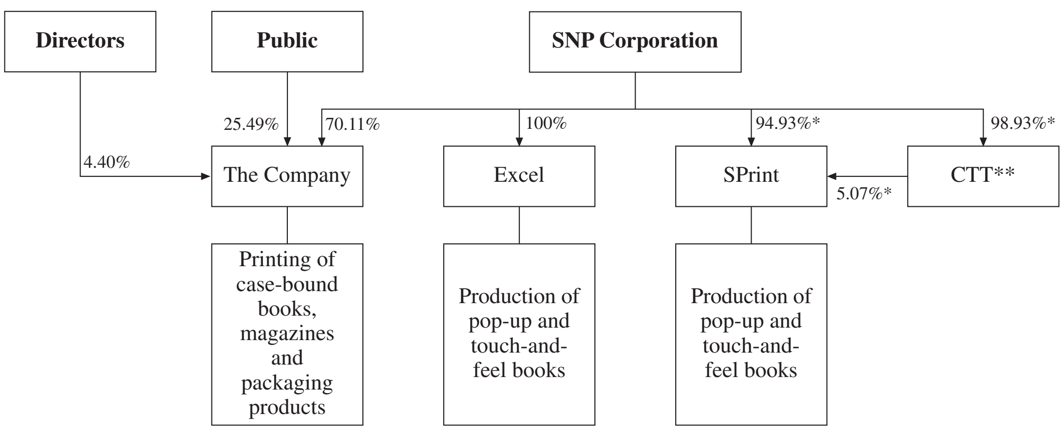
1. SNP Corporation ceases to be the controlling shareholder (as defined in the Listing Rules) of the Company; and

2. the Shares cease to be listed on the Stock Exchange.

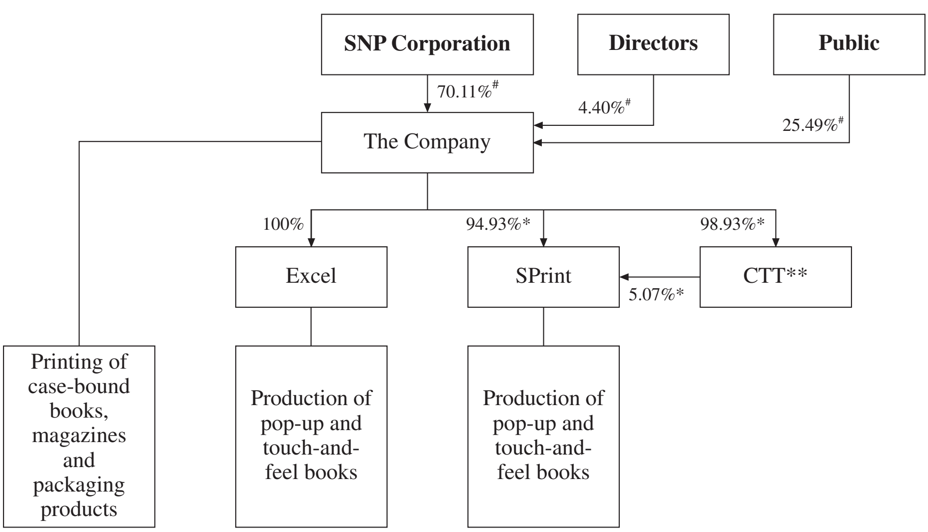
SHAREHOLDING STRUCTURE

The following diagrams illustrate the shareholding and corporate structure of the Company and the Acquired Companies as at the Latest Practicable Date and immediately after the completion of the Acquisition:

As at the Latest Practicable Date



Immediately after completion of the Acquisition



* Represents interest in issued voting share capital

** No business activity other than holding certain shares in SPrint

\# Assuming no change in the shareholding interest in the Company from the Latest Practicable Date to completion of the Acquisition

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the printing of books, including case-bound books and children books, magazines and packaging products. The Group is currently not engaged in the production of pop-up books and touch-and-feel books.

The audited net tangible asset value of the Group was approximately HK$676.0 million, HK$719.6 million and HK$721.7 million as at 31 December, 2001, 2002 and 2003, respectively. The following table shows the audited turnover and profits of the Group for the three years ended 31 December, 2003:

	Year ended 31 December,		
	2001	**2002**	**2003**
	HK$' million	*HK$' million*	*HK$' million*
Turnover	1,019.1	1,021.8	734.6
(Loss) profit before tax	(79.8)	64.9	34.0
(Loss) profit after tax	(87.6)	48.8	22.8
Net (loss) profit attributable to shareholders	(95.2)	40.1	22.5

INFORMATION ABOUT THE ACQUIRED COMPANIES

Each of the Excel Group and SPrint is principally engaged in the production of pop-up books and touch-and-feel books. CTT's principal asset is its shareholding of common and preference shares in the issued share capital of SPrint.

SNP Corporation acquired 60% of the issued share capital of Excel in September 2001 and further acquired the remaining 40% in October 2003.

In 1999, SNP Corporation first acquired approximately 87% of the voting share capital of SPrint through the acquisition of approximately 82.06% of the voting share capital of SPrint and approximately 98.93% of the voting share capital of CTT which at that time held approximately 4.94% of the voting share capital of SPrint. In May 2002, SNP Corporation further acquired another approximately 13% of the voting share capital of SPrint and simultaneously transferred approximately 0.13% of the voting share capital of SPrint to CTT. The total cost of investment in the Sale Shares paid by SNP Corporation amounts to approximately S$46.8 million (equivalent to approximately HK$214.9 million).

Financial information of Excel

Based on the accountants' report, which is prepared in accordance with the accounting principles generally accepted in Hong Kong, set out in Appendix IV, the audited consolidated net tangible asset value of Excel was approximately HK$85.2 million, HK$143.1 million, HK$177.1 million and HK$181.1 million as at 31 December, 2001, 2002 and 2003 and 31 March, 2004, respectively. The following table shows the audited consolidated turnover and profits of Excel for the three years ended 31 December, 2003 and the three months ended 31 March, 2004 as extracted from the accountants' report set out in Appendix IV:

	Year ended 31 December,			**Three months ended 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Turnover	324.3	423.3	355.8	73.5
Profit before tax	13.8	67.8	42.6	5.0
Profit after tax	10.4	58.3	34.1	4.1
Net profit attributable to shareholders	9.5	58.3	34.1	4.1

Financial information of SPrint

Based on the accountants' report, which is prepared in accordance with the accounting principles generally accepted in Hong Kong, set out in Appendix IV, the audited net tangible asset value of SPrint was approximately HK$62.5 million, HK$58.3 million, HK$71.9 million and HK$74.0 million as at 31 December, 2001, 2002 and 2003 and 31 March, 2004, respectively. The following table shows the audited turnover and profits of SPrint for the three years ended 31 December, 2003 and the three months ended 31 March, 2004 as extracted from the accountants' report set out in Appendix IV:

	Year ended 31 December,			**Three months ended 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Turnover	109.3	98.0	108.9	24.1
Profit (loss) before tax	9.5	(5.6)	9.1	1.2
Profit (loss) after tax	9.5	(5.6)	8.5	1.1

Financial information of CTT

Based on the accountants' report, which is prepared in accordance with the accounting principles generally accepted in Hong Kong, set out in Appendix IV, the audited net tangible asset of CTT was approximately HK$18.0 million, HK$18.5 million, HK$20.0 million and HK$20.3 million as at 31 December 2001, 2002 and 2003 and 31 March, 2004, respectively. The following table shows the audited turnover and profits of CTT for the three years ended 31 December 2003 and the three months ended 31 March, 2004 as extracted from the accountants' report set out in Appendix IV:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	171	61	210	–
Profit (loss) before tax	157	39	193	(4)
Profit (loss) after tax	157	33	195	(4)

COMPLIANCE WITH THE REQUIREMENTS OF RULE 8.05 OF THE LISTING RULES

The Acquired Companies have combined profit attributable to shareholders of not less than HK$20 million in respect of the year ended 31 December, 2003 and aggregate combined profit attributable to shareholders of not less than HK$30 million for the two years ended 31 December, 2002. Accordingly, the Acquired Companies are able to fulfil the profit requirement under Rule 8.05(1)(a) of the Listing Rules.

Details of the board of directors and senior management of the Acquired Companies are set out in the section headed "Directors and senior management of the Acquired Companies" in this letter. Mr. Yeo Chee Tong, Mr. Tan Jin Yan and Ms. Koo Tse Chia are the common directors of Excel and SPrint. There has been no significant change in both the board of directors and senior management of SPrint and CTT since 1 January, 2001. For Excel, as a result of the acquisition of control by SNP Corporation in September 2001, Mr. Yeo Chee Tong, Mr. Tan Jin Yan and Ms. Koo Tse Chia were appointed to the board while five of the then seven directors resigned. Of these outgoing directors, three continue to be members of the senior management of Excel. The other two directors remain as directors of Excel and continue to manage the operations of the Excel Group. Based on the above, the Directors are of the view that the Acquired Companies as a whole are able to fulfil the management continuity requirement under Rule 8.05(1)(b) of the Listing Rules.

As each of the Acquired Companies has been under the control of SNP Corporation since September 2001, the Acquired Companies are able to fulfill the ownership continuity and control requirement under Rule 8.05(1)(c) of the Listing Rules.

INFORMATION ABOUT SNP CORPORATION

SNP Group (excluding the Enlarged Group) is principally engaged in printing and publishing businesses. SNP Corporation grew out of Singapore National Printers Pte Ltd which in turn had its origin in the former Government Printing Office of Singapore. The printing capabilities of SNP Group (excluding the Enlarged Group) range from commercial general and specialty printing to technology-based security and financial printing. Products include smart cards, passports, financial circulars/prospectuses, cheques and postage stamps. In publishing, SNP Group (excluding the Enlarged Group) is one of the major educational publishers in Singapore and Hong Kong. On the other hand, the principal business of the Enlarged Group is printing of books, including case-bound books, children books, pop-up books and touch-and-feel books, magazines and packaging products, which is entirely different from the principal business of SNP Group (excluding the Enlarged Group). However, in order to better utilise the production capacity during low seasons, one of the subsidiaries of SNP Corporation is also engaged in the printing of books. Such activity contributed turnover of approximately S$11.3 million (equivalent to approximately HK$47.7 million), S$17.1 million (equivalent to approximately HK$76.9 million) and S$15.1 million (equivalent to approximately HK$69.0 million) for each of the three years ended 31 December, 2003 respectively and is considered insignificant compared to the proforma combined turnover of the Enlarged Group of approximately HK$1,199 million for the year ended 31 December, 2003. Based on the above, the Directors consider that the business of SNP Group (excluding the Enlarged Group) does not compete with the business of the Enlarged Group. SNP Corporation has undertaken to the Company that subject to completion of the Acquisition:

(i) SNP Group (excluding the Enlarged Group) shall not expand organically its existing business activity to printing of books (including case-bound books, children books, pop-up books and touch-and-feel books), magazines and packaging products save for the printing of books for the sole purpose of better utilising its production capacity during low seasons, which turnover amount shall not exceed S$20 million (equivalent to approximately HK$91.8 million) per annum; and

(ii) when a merger and acquisition opportunity in printing or publishing, which may involve printing of books, magazines and packaging products (the "Relevant Business"), arises, it shall give the Company the right of first refusal to co-invest or to acquire separately and independently the Relevant Business within such opportunity. If the Company decides not to exercise such right as approved by the independent non-executive Directors, SNP Corporation may consider proceeding with such merger and acquisition opportunity itself or together with other parties.

The undertaking shall automatically expire upon the occurrence of any of the following events (whichever is the earlier): (i) SNP Corporation ceases to be the controlling shareholder (as defined in the Listing Rules) of the Company; and (ii) the Shares cease to be listed on the Stock Exchange.

SNP Corporation is a company listed on the main board of the Singapore Exchange. As at the Latest Practicable Date, SNP Corporation was beneficially owned as to approximately 55% by Green Dot Capital Pte Ltd. Green Dot Capital Pte Ltd was an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, a company beneficially owned by the Ministry of Finance of the Government of Singapore.

Currently, the board of directors of SNP Corporation comprises one executive director, namely Mr. Yeo Chee Tong (president and chief executive officer), one non-executive director, namely Mr. Tay Siew Choon (chairman), and four independent non-executive directors, namely Mr. Cheng Wai Wing, Edmund, Mr. Chan Meng Wah, Alexander, Mr. Koh Kian Chew, Edmund and Mr. John Robert Walter.

The Board comprises two executive Directors, namely Mr. Yeo Chee Tong (chief executive officer) and Mr. Yang Sze Chen, Peter (chairman), two non-executive Directors, namely Mr. Tay Siew Choon and Mr. Wong Kwong Shing, Frank, and four independent non-executive Directors, namely Mr. Cheng Wai Wing, Edmund, Mr. John Robert Walter, Mr. Kyle Arnold Shaw, Jr. and Mr. Lai Ming, Joseph. Further information on the Directors is set out in the section headed "Directors and senior management of the Company" of this letter.

Mr. Yeo Chee Tong is an executive Director and chief executive officer of the Company and the president and chief executive officer of SNP Corporation. As the Company is a major subsidiary of SNP Corporation, SNP Corporation has appointed Mr. Yeo Chee Tong to oversee the Company's operations given his experience in managing large corporations and listed companies and in the printing business.

In view of the fact that (i) Mr. Yang Sze Chen, Peter, chairman and an executive Director of the Company, does not assume any office in SNP Corporation or any of its subsidiaries (excluding the Company); (ii) Mr. Tay Siew Choon, chairman of SNP Corporation, does not undertake any executive functions in the Group; (iii) of the senior management of the Group, only Mr. Tan Jin Yan, the chief operating officer of the Company, is also a member of the senior management team of SNP Corporation responsible for managing the commercial printing business of the Group and the Acquired Companies, and upon completion of the Acquisition, the commercial printing business of the Acquired Companies will be under the control of the Company and Mr. Tan Jin Yan will be transferred from SNP Corporation to the Enlarged Group and will only be involved in the management of the Enlarged Group; (iv) the principal business of the Enlarged Group is different from that of the SNP Group (excluding the Enlarged Group) and there will not be any conflict of interest in Mr. Yeo Chee Tong's management role in the Company and SNP Corporation given the different business nature of the Enlarged Group and the SNP Group (excluding the Enlarged Group); (v) the amount of transactions between the Enlarged Group and SNP Group (excluding the Enlarged Group) is not very significant with an annual cap of the aggregate connected transactions not exceeding HK$20 million (which represents less than 1.7% of the proforma combined turnover of the Enlarged Group of approximately HK$1,199 million for the year ended 31 December, 2003); and (vi) the annual cap for the financial printing services to be provided to the Enlarged Group by the SNP Group (excluding the Enlarged Group) will not exceed HK$3 million, the Directors are satisfied that the Enlarged Group is capable of carrying on its business independent of the SNP Group (excluding the Enlarged Group).

PROFORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following table shows the unaudited pro forma turnover and profits of the Enlarged Group for the year ended 31 December, 2003 and the unaudited pro forma combined balance sheet of the Enlarged Group as at 31 December, 2003 extracted from Appendix V to this circular:

Proforma Combined Income Statement of the Enlarged Group for the year ended 31 December, 2003

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments	Note	Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Turnover	734,586	355,815	108,907	210	1,199,518	(585)	*A, B & C*	1,198,933
Cost of sales	(573,076)	(255,502)	(85,122)	–	(913,700)	421	*A*	(913,279)
Gross profit	161,510	100,313	23,785	210	285,818	(164)		285,654
Other operating income	4,235	6,779	2,866	–	13,880	(46)	*B*	13,834
Distribution costs	(46,886)	(45,154)	(5,337)	–	(97,377)	–		(97,377)
Administrative expenses	(72,217)	(17,181)	(11,179)	(17)	(100,594)	–		(100,594)
Surplus on revaluation of investment properties	960	–	–	–	960	–		960
Loss on disposal of investment properties	(951)	–	–	–	(951)	–		(951)
Loss on disposal of property, plant and equipment	(268)	–	–	–	(268)	–		(268)
Impairment loss recognised in respect of plant and machinery	(13,370)	–	–	–	(13,370)	–		(13,370)
Amortisation of goodwill arising from the acquisition of subsidiaries	–	–	–	–	–	(20,587)	*D*	(20,587)
Profit from operations	33,013	44,757	10,135	193	88,098	(20,797)		67,301
Finance costs	(3,459)	(2,163)	(1,075)	–	(6,697)	(6,600)	*E*	(13,297)
Share of results of associates	4,849	–	–	–	4,849	–		4,849
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	–	(403)	–		(403)
Profit before taxation	34,000	42,594	9,060	193	85,847	(27,397)		58,450
Taxation (charge) credit	(11,220)	(8,461)	(569)	2	(20,248)	–		(20,248)
Profit after taxation	22,780	34,133	8,491	195	65,599	(27,397)		38,202
Minority interests	(283)	–	–	–	(283)	(6)	*F & G*	(289)
Net profit for the year	22,497	34,133	8,491	195	65,316	(27,403)		37,913
Dividends								
Interim	8,055	70	210	206	8,541	(210)	*C*	8,331
Proposed final	12,082	–	–	–	12,082	–		12,082
	20,137	70	210	206	20,623	(210)		20,413

Proforma Combined Balance Sheet of the Enlarged Group as at 31 December, 2003

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments	Note	Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Non-current assets								
Investment properties	10,420	–	–	–	10,420			10,420
Property, plant and equipment	530,152	94,855	28,622	–	653,629			653,629
Negative goodwill	–	(258)	–	–	(258)			(258)
Other assets	–	380	–	–	380			380
Goodwill	–	–	–	–	–	185,286	*D & H*	185,286
Investments in securities	–	–	–	22,843	22,843	(22,843)	*H*	–
Interests in associates	81,386	–	–	–	81,386			81,386
	621,958	94,977	28,622	22,843	768,400	162,443		930,843
Current assets								
Inventories	111,538	34,967	21,307	–	167,812			167,812
Trade and other receivables	280,141	108,851	51,801	–	440,793			440,793
Amounts due from SNP Group	–	40,634	–	–	40,634	(283)	*I*	40,351
Tax recoverable	–	–	–	2	2			2
Bank balances and cash	80,760	39,462	9,366	64	129,652	(80,700)	*E & H*	48,952
	472,439	223,914	82,474	66	778,893	(80,983)		697,910
Current liabilities								
Trade and other payables	156,993	61,458	15,549	41	234,041			234,041
Tax liabilities	8,262	14,610	311	–	23,183			23,183
Amounts due to SNP Group	1,545	14,842	8,144	2,857	27,388	(283)	*I*	27,105
Amount due to a related company	–	16	–	–	16			16
Amounts due to associates	17,861	–	–	–	17,861			17,861
Obligations under finance leases — due within one year	–	1,660	42	–	1,702			1,702
Bank borrowings — due within one year	47,000	13,333	11,223	–	71,556			71,556
	231,661	105,919	35,269	2,898	375,747	(283)		375,464
Net current assets (liabilities)	240,778	117,995	47,205	(2,832)	403,146	(80,700)		322,446
Total assets less current liabilities	862,736	212,972	75,827	20,011	1,171,546	81,743		1,253,289

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments	Note	Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Non-current liabilities								
Bank borrowings — due after one year	125,000	26,667	517	–	152,184	330,000	*H*	482,184
Deferred tax liabilities	13,605	6,888	–	–	20,493			20,493
Obligations under finance leases — due after one year	–	2,623	–	–	2,623			2,623
Amount due to SNP Group	–	–	3,361	–	3,361			3,361
	138,605	36,178	3,878	–	178,661	330,000		508,661
Minority interest	2,410	–	–	–	2,410	250	*H*	2,660
	721,721	176,794	71,949	20,011	990,475	(248,507)		741,968
Capital and reserves								
Share capital	40,273	7,000	43,101	196	90,570	(50,297)	*H*	40,273
Reserves	681,448	169,794	28,848	19,815	899,905	(198,210)	*D, E, F, G & H*	701,695
	721,721	176,794	71,949	20,011	990,475	(248,507)		741,968

Note:

Proforma Adjustments

A. Elimination of intercompanies sales and purchases.

B. Elimination of intercompanies sub-processing income and charge.

C. Elimination of intercompanies dividend income and dividend paid.

D. To record the amortisation of goodwill arising on the acquisition of subsidiaries on a straight line basis over its useful economic life of 10 years.

E. To record the finance cost on HK$330 million bank borrowings as mentioned in note H below. It is assumed that the average interest rate is 2% per annum.

F. To record the minority share of profit of SNP SPrint (Thailand) Co., Ltd. as the Company only acquire an effective interest of approximately 99.95% of the voting share capital in SNP SPrint (Thailand) Co., Ltd.

G. To record the minority share of profit of CTT & Associates Limited as the Company only acquire an effective interest of approximately 98.93% of the voting share capital in CTT & Associates Limited.

H. To record the acquisition of the entire issued share capital of SNP Excel United Company Limited, an effective interest of approximately 99.95% of the voting share capital of SNP SPrint (Thailand) Co., Ltd. and an effective interest of approximately 98.93% of the voting share capital of CTT & Associates Limited from SNP Corporation Ltd. The total consideration for the Acquisition is S$88 million (equivalent to approximately HK$404.1 million). For the purpose of preparing the proforma financial information, it is assumed that the consideration for the Acquisition is financed by bank borrowings of HK$330 million. The remaining consideration will be settled by the Group's bank balances and cash. The Directors will review the financial position, in particular the cash position, of the Group at the time closer to completion of the Acquisition before determining whether internal funding will be used for financing the Acquisition.

I. Elimination of intercompanies balances. SNP Group represents SNP Corporation Ltd and its subsidiaries. SNP Corporation Ltd is a substantial shareholder of the Company.

GOODWILL ARISING FROM THE ACQUISITION

Based on the combined net asset value of the Acquired Companies of approximately HK$251.7 million as at 31 March, 2004, the goodwill arising on the Acquisition is expected to be approximately HK$152.4 million, which amount is subject to further adjustment in accordance with the net asset value of the Acquired Companies at the date of completion of the Acquisition and review by the Company's auditors. Pursuant to the Group's accounting policies, goodwill arising on the acquisition of subsidiaries is capitalized and amortised on a straight-line basis over 10 years.

The useful life of 10 years for the amortisation of goodwill is estimated based on the following:

(i) Excel and SPrint are in the printing industry which is a traditional industry;

(ii) Excel and SPrint are making profits continuously in general; and

(iii) in accordance with Statement of Standard Accounting Practice 30, there is a rebuttable assumption that the useful life of goodwill will not exceed 20 years from initial recognition. The useful life of 10 years adopted by the Group falls within this assumption.

For the above reasons, the Directors consider that the useful life of 10 years is their best estimate of the period during which future economic benefits arising from the Acquisition are expected to flow to the Company. As such, amortisation of goodwill over a period of 10 years is considered reasonable by the Directors.

REASONS FOR AND BENEFITS OF THE ACQUISITION

With the proven profitable track record of the Acquired Companies, the Acquisition will substantially increase the Company's earning bases. The Directors believe that the Acquisition will also enable the Enlarged Group to become one of the leading players in the printing industry and one of the world's leading pop-up and touch-and-feel books manufacturers having regard to their total turnover on a consolidated basis. In addition, the Directors consider that the Enlarged Group will be able to tap on certain synergistic opportunities arising from the merging of the business of the Group and those of the Acquired Companies. The Group is principally engaged in the printing of books, including case-bound books and children books, magazines and packaging products, which requires high degree of automation and use of advanced machinery. The Acquired Companies are principally engaged in the production of pop-up books and touch-and-feel books, which involves labour intensive processes. Given the different market segments and areas of specialization of the Group and the Acquired Companies, the Directors are confident that the Enlarged Group will benefit from business synergies in the following areas:

1. Marketing Synergies

Given the specialization of the Group in the printing of case-bound books and magazines and the specialization of the Acquired Companies in the production of pop-up books and touch-and-feel books, the Enlarged Group will be able to offer a one-stop shop service to its customers offering a full range of printing services. There will also be cost savings and improved efficiencies from the merging of the marketing departments, resulting in a single team of marketing staff serving a particular customer. This will not only reduce marketing costs (such as travel and entertainment expenses) but also provide better services to the customer since it will only need to work with one marketing team for orders of different types of books. Marketing cost savings will also arise from centralized marketing effort such as participation in books trade fairs and other promotional activities. There will also be opportunities for cross-selling of different products to customers.

2. Production Synergies

There are times at which the production facilities of each of the Group and the Acquired Companies will be running below capacity. Vice versa, there are times at which they will be operating at above full capacity. These low and high times of a particular production facility may be different from those of the others. After the Acquisition, the Enlarged Group will be able to better utilize its production facilities by shifting some production processes to plants operating below capacity. This will not only reduce production costs but also shorten production lead time and thus providing better services to the customers.

Improved production efficiencies can also be achieved through specialization. For example, the Group is specialised in the printing of high quality books in large quantity whereas the Acquired Companies are specialised in producing books involving labour-intensive processes. After the Acquisition, the Enlarged Group can make better use of the production facilities of the Group and those of the Acquired Companies which are located in close proximity by having the Group to concentrate on the printing of high quality and/or huge volume prints and the Acquired Companies to focus on more labour intensive jobs. Such specialization will enable the Enlarged Group to enjoy greater economy of scale and to improve the quality of its products.

3. Purchasing Synergies

After the Acquisition, the Enlarged Group can centralize its purchasing department to co-ordinate the purchase of paper and other raw materials thereby taking advantage of economies of scale. This will enable the Enlarged Group to enjoy bulk-discounts and better bargaining power. In addition, the overall inventory level may also be reduced since paper and other raw materials can be moved among the different locations if needed.

To conclude, the Directors consider that the Acquisition is in the interest of the Shareholders given the proven profitable track record of the Acquired Companies, the opportunity of enabling the Enlarged Group to become one of the leading players in the printing industry and the potential synergies that may arise from the merging of the business of the Group and those of the Acquired Companies.

FUTURE PLANS AND PROSPECTS

After completion of the Acquisition, the Directors will review the operation of the Group and those of the Acquired Companies with the ultimate goal of streamlining and merging the operation of the Group and those of the Acquired Companies and strengthening its market position and establishing a more efficient and cost-effective operation. In particular, the Enlarged Group intends to intensify and consolidate its marketing and sales effort through the establishment of a centralised sales team to facilitate cross products selling and offering of a more comprehensive range of products to its clients. The Enlarged Group also intends to increase its production and sales volume by upgrading and expanding its production plant and equipment. As some of its operations are labour intensive, the Enlarged Group will explore the possibility of setting up additional production bases in low labour cost production areas. Finally, the Enlarged Group intends to leverage on its strong technical expertise as well as the experience of its strong management team to grow the business further by a combination of further development and investment in its business as well as grow through synergistic acquisitions whenever there are suitable opportunities to do so.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The Company does not intend to change the composition of the Board and the senior management of the Company upon completion of the Acquisition.

Executive Directors

Mr. Yeo Chee Tong, aged 45, was appointed as the executive Director and chief executive officer in July 2003. He is a director of SNP Corporation since April 2000. Being the president and chief executive officer of SNP Corporation, he also sits on the boards of the SNP group of companies. Mr. Yeo started his career in 1983 as a software engineer at Singapore's Ministry of Defence where he spent 2 years based in Montreal, Canada. In 1988, he joined Singapore Computer Systems Ltd, focusing on sales and marketing of systems integration business. Subsequently, Mr. Yeo moved to ST Telemedia Pte Ltd where he spearheaded a large satellite project involving close liaisons with multinationals in United States, China and Japan. Mr. Yeo, a Singapore Government Merit Scholar, holds a MSc (Engineering) degree and a MBA degree from National University of Singapore. He attended the Harvard Advanced Management Programme in 1999.

Mr. Yang Sze Chen, Peter, aged 66, appointed as the chairman of the Company in 2002. He graduated from the London School of Printing and Graphic Art (now known as the London Printing College) in 1958. He founded the Group in 1960 and has been with the Group since then. Accordingly, Mr. Yang has over 40 years' experience in the printing industry.

Non-Executive Directors

Mr. Tay Siew Choon, aged 56, was appointed as a non-executive Director of the Company in July 2003. He is the chairman and a non-executive director of SNP Corporation since April 2000 and also the corporate advisor and a board member of Singapore Technologies Pte Ltd. ("Singapore Technologies"). He was the managing director and chief operating officer of Singapore Technologies till March 2004. He is also the chairman of Singapore Computer Systems Ltd, co-chairman of Nexgen Financial Holdings Limited and deputy chairman of Green Dot Capital Pte Ltd, and Vertex Venture Holdings. In addition, he is also a board member of Chartered Semiconductor Manufacturing Ltd, ST Assembly Test Services Ltd and ST Telemedia Pte Ltd. Mr. Tay graduated from Auckland University with a Bachelor of Engineering (Electrical) with Honours under a Colombo Plan Scholarship. He also holds a Masters of Science in Systems Engineering from the former University of Singapore and is a member of the Institute of Engineers Singapore and the Professional Engineers Board.

Mr. Wong Kwong Shing, Frank, aged 56, was appointed as an independent non-executive Director of the Company in March 2004 and was re-designated as a non-executive Director in August 2004. He is the vice chairman of DBS Bank Ltd, which is one of the bankers to SNP Corporation, and the chairman of DBS Bank (Hong Kong) Limited. He has over 30 years' experience in financial market fields, having worked in leading financial institutions in Hong Kong, Frankfurt, London and Singapore. He is also an independent non-executive director of China Mobile (Hong Kong) Limited.

Independent Non-Executive Directors

Mr. Cheng Wai Wing, Edmund, aged 51, was appointed as an independent non-executive Director of the Company in July 2003. He is an independent non-executive director of SNP Corporation since May 1987 and was the chairman from 22 November, 1998 to 31 March, 1999. Mr. Cheng is the deputy chairman of the Singapore-listed Wing Tai Holdings Limited and chairman of Mapletree Investments Pte Ltd and Singapore Airport Terminal Services Limited. He is also chairman of The Esplanade Co. Ltd and DesignSingapore Council, deputy chairman of National Arts Council and board member of CIH Limited and various other companies in Singapore, Malaysia and Hong Kong. Mr. Cheng, a graduate of Northwestern University and Carnegie Mellon University in the United States, is an engineer and architect by profession.

Mr. John Robert Walter, aged 57, was appointed as an independent non-executive Director of the Company in February 2004. He is also an independent non-executive director of SNP Corporation. He was the former chairman, president and chief executive officer of R.R. Donnelley & Sons and retired president and chief operating officer of AT&T Corporation. He is also a director of Abbott Laboratories, Deere & Company and Manpower Inc. in the US.

Mr. Kyle Arnold Shaw, Jr., aged 43, was appointed as a non-executive Director of the Company in June 2000 and redesignated as an independent non-executive Director in July 2003. He is the managing director of Shaw, Kwei & Partners (Asia) Ltd., the general partner of the Asian Value Investment Fund. He received a MBA degree from the Wharton School of the University of Pennsylvania and a Bachelor of Science in Commerce from the University of Virginia. He has been involved in the Asian private equity industry for over 15 years. He is currently on the board of directors of Suga International Holdings Limited (Hong Kong), B&B Natural Products Limited (Hong Kong), British American Clinics Ltd. (Russia), Abest Communication Corp. (Taiwan). As at the Latest Practicable Date, Mr. Shaw was interested in 324,000 Shares, representing approximately 0.08% of the issued share capital of the Company, and Asian Value Investment Fund, L.P., in which Mr. Shaw holds less than 20% interest and of which Mr. Shaw is the fund manager, was interested in 12,728,000 Shares, representing approximately 3.16% of the issued share capital of the Company. As Mr. Shaw's effective interest in the issued share capital of the Company is less than 1%, the Directors consider that Mr. Shaw is able to satisfy Rule 3.13 of the Listing Rules.

Mr. Lai Ming, Joseph, F.H.K.S.A., F.C.M.A., F.C.P.A., aged 59, was appointed as an independent non-executive Director of the Company in August 2004. Mr. Lai has over 30 years' experience in management specialising in finance, organizational review and systems design and implementation. He was the president of the Hong Kong Society of Accountants ("HKSA") in 1986 and is presently on the Audit Committee and the Investigation Panel after many years of services on the council and on various committees. Mr. Lai also has been appointed as an adviser to the Corporate Governance Committee of the Hong Kong China Division of CPA Australia. Mr. Lai was the managing director of Hsin Chong International Holdings Ltd., the parent company of Hsin Chong Construction Group Ltd. and Synergis Holdings Ltd., both being companies listed on the main board of the Stock Exchange, before his retirement at the end of 2003. He remains on the board of Synergis Holdings Ltd. as a non-executive director. Mr. Lai is also a founding member and director of Opera H.K. Ltd. and is on the board of the Research and Development Corp. of the Hong Kong University of Science and Technology.

Senior Management

Mr. Tan Jin Yan, aged 51, joined the Company as the chief operating officer in July 2003. Mr. Tan joined the SNP Group in 1999 as managing director of SPrint and was promoted to executive vice president (commercial printing) in 2001. In addition to his role as the chief operating officer of the Company, Mr. Tan also currently manages the commercial printing operations of the SNP Group, a portfolio he held as executive vice president (commercial printing). Prior to joining SNP Group, Mr. Tan clocked many years of experience in the printing industry during his illustrious stints at KHL Printing and Tien Wah Press. Mr. Tan was also instrumental in the founding of SPrint. Mr. Tan graduated with a Bachelor of Science (Physics) degree from The Nanyang University, Singapore. He also holds a Master of Applied Science (Management Science) from the University of Waterloo, Canada.

Mr. Lo Kin Cheung, aged 40, is the chief financial officer and company secretary of the Company since August 2001. Prior to joining the Company, Mr. Lo worked for an international accounting firm, Ernst and Young in Hong Kong and clocked 12 years of experience in accounting, auditing and financial advisory services. In 1998, he joined a listed company holding the position as executive director and was responsible for corporate development and daily operations. Mr. Lo graduated from the University of Hong Kong with a Bachelor of Science (Hons) degree. He is also a fellow member of the Hong Kong Society of Accountants, the Association of Chartered Certified Accountants (UK) and an associate member of the Certified General Accountants of Canada. He attended the 166th session of Harvard Advanced Management Programme in 2004.

Mr. Jin Ling, aged 51, is the general manager of China Division. He holds a Certificate of Printing Enterprise Management from Beijing Printing Academy. Before joining the Group in 1995, he worked as deputy factory manager for a joint venture printing company in Shenzhen for more than 9 years. He has over 26 years of experience in sales and factory management.

Mr. Chiang Chin Tien, aged 54, joined the Group in September 2003 and is the general manager of Export Division. He holds a bachelor degree in chemical engineering with 14 years experience in electronic company and has 17 years of experience in printing field as senior manager before joining the Group.

Mr. Chu Oi Fung, aged 40, joined the Group as the general manager of Packaging Division in January 2004. He has had 20 years experience in project, administration and production management. Before joining the group, he worked as general manager for a Hong Kong based printing company where he was responsible for the group management of overseas sales, quality control and general administration.

Audit Committee

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The current audit committee comprises four independent non-executive Directors, namely Mr. John Robert Walter (chairman of the audit committee), Mr. Cheng Wai Wing, Edmund, Mr. Kyle Arnold Shaw, Jr. and Mr. Lai Ming, Joseph. The audit committee is scheduled to meet at least twice every financial year. During the meeting, the audit committee reviewed the accounting principles and practices adopted by the Group, the quarterly/interim and annual results and reports of the Group, connected transactions and discussed with management the auditing, internal control and financial reporting matters.

Remuneration Committee

The Company has an Executive Resources & Compensation Committee for the purpose of overseeing and reviewing remuneration policy and share schemes of the Company.

The Executive Resources & Compensation Committee currently comprises two non-executive Directors and one independent non-executive Director, namely Mr. Tay Siew Choon, Mr. Wong Kwong Shing, Frank and Mr. John Robert Walter. The Executive Resources & Compensation Committee met once in the last financial year. During the meeting, the Executive Resources & Compensation Committee approved the adoption of the Company's share option scheme.

Staff

As at the Latest Practicable Date, the Group had approximately 80 employees in Hong Kong and approximately 2,800 employees in the PRC, and the Excel Group, SPrint and CTT had a total of approximately 6,500 employees.

DIRECTORS AND SENIOR MANAGEMENT OF THE ACQUIRED COMPANIES

The Company does not intend to change the composition of the board of directors and the senior management of the Acquired Companies upon completion of the Acquisition.

Directors of Excel

Mr. Yeo Chee Tong

Mr. Tan Jin Yan

Ms. Koo Tse Chia

Mr. Tsang Kwok Kuen

Mr. Chung Keung Wah, Samuel

Senior Management of Excel

Mr. Kwong Tak Woo, Kenny

Mr. So Chi Kwan

Mr. Yeung Chak Fun, Johnson

Directors of SPrint

Mr. Pornthep Samatiyadeekul

Mr. Yeo Chee Tong

Mr. Tan Jin Yan

Ms. Koo Tse Chia

Mr. Foong Kee Loon

Mr. Chia Yang Heng

Senior Management of SPrint

Mr. Ting Kok Guan

Ms. Nongnuch Khositseth

Directors of CTT

Mr. Yeo Chee Tong

Mr. Ronachai Krisadaolarn

Ms. Koo Tse Chia

FURTHER ACQUISITIONS OR DISPOSALS OF ASSETS BY THE GROUP

The Stock Exchange has stated that if the Company remains a listed company, any further acquisitions or disposals of assets by the Company and its subsidiaries will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions and any such transaction may result in the Company being treated as an new application for listing and subject to the requirements for new applicants as set out in the Listing Rules.

TRANSACTIONS BETWEEN THE ACQUIRED COMPANIES AND SNP CORPORATION AND CONNECTED PERSONS

During the Track Record Period, the Acquired Companies had the following connected transactions:

(i) management fee paid to SNP Corporation for secondments of staff to the Acquired Companies, provision of support services such as financial management, human resources and IT related services;

(ii) administration fee received from subsidiaries of SNP Corporation;

(iii) subcontracting fee and labour cost paid and received for subcontracting work among the various subsidiaries of SNP Corporation;

(iv) sale and purchase of goods and raw materials among the various subsidiaries of SNP Corporation;

(v) interest paid and received for advances to and from SNP Corporation and its subsidiaries; and

(vi) subcontracting fee paid to companies which are controlled by connected persons.

Except for the management fee paid to SNP Corporation mentioned in (i) above, the annual value of the other transactions mentioned in (ii) to (vi) above are all below HK$1,000,000. Accordingly, these transactions (which in the opinion of the Directors are on normal commercial terms), if continued after completion of the Acquisition, will constitute continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

In relation to the management fee paid to SNP Corporation mentioned in (i) above, during the Track Record Period, the amount paid by Excel was nil, approximately HK$1,720,000, approximately HK$4,415,000 and approximately HK$1,141,000 respectively and the amount paid by SPrint was approximately HK$3,689,000, approximately HK$1,776,000, approximately HK$4,045,000 and approximately HK$1,152,000 respectively. The Directors have confirmed that if the Acquisition is completed, the support services currently provided by SNP Corporation to the Acquired Companies will thereafter be provided by the Group.

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND THE ACQUIRED COMPANIES

During the year ended 31 December, 2003, the Group had subcontracted certain production jobs to the Excel Group and sold certain goods to the Excel Group. Total aggregate subcontracting fees paid by the Group to the Excel Group and total sales by the Group to the Excel Group in 2003 amounted to approximately HK$13,000 and HK$50,000 respectively. Irrespective of whether the Acquisition is completed or not, such transactions are expected to continue. If the Acquisition is completed, Excel will become a wholly owned subsidiary of the Group and the abovementioned transactions will not constitute connected transactions. On the other hand, if the Acquisition is not completed, the abovementioned transactions will constitute continuing connected transactions. These transactions will be conducted in accordance with the terms as announced by the Company on 7 August, 2003 pursuant to which the Group may buy from and/or sell to the SNP Group (including the Excel Group) certain paper and paper related products, subject to a maximum amount of HK$20,000,000 per annum until 31 December, 2005.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to a master agreement (the "Master Agreement") dated 11 August, 2004 and entered into between the Company and SNP Vite Limited ("Vite"), a wholly owned subsidiary of SNP Corporation, Vite agreed to provide financial printing services (such as type-setting, translation and printing of announcements, circulars and annual reports and placing announcements in newspapers on behalf of the Company etc) to the Company. The Master Agreement is subject to the following principal terms and conditions:

(i) the Master Agreement is for a fixed term of three years effective as of 1 January, 2004 and ending on 31 December, 2006 unless terminated by either party before its expiry;

(ii) the maximum aggregate annual value ("cap") payable to Vite by the Company for services rendered under the Master Agreement for the year ending 31 December, 2004, 2005 and 2006 will be HK$3,000,000, HK$2,000,000 and HK$2,000,000 respectively;

For the year ended 31 December, 2003, the aggregate amount paid by the Company in respect of financial printing services amounted to approximately HK$800,000. Given the fact that the Company has adopted the practice of announcing quarterly results and publishing quarterly interim reports since the beginning of 2004, more financial printing costs will be incurred by the Company in 2004 and thereafter as compared to 2003. The expenses for financial printing services relating to the Acquisition are estimated to be approximately HK$1,000,000, which are to be incurred in the year ending 31 December, 2004. As such, the Directors consider that the annual cap for each of the two years ending 31 December, 2006 should be set at HK$2,000,000 whereas the annual cap for the year ending 31 December, 2004 should be set at HK$3,000,000; and

(iii) the Company and Vite will enter into individual contract for specific services to be provided by Vite and the price and terms will be negotiated on an order-by-order basis, based on arm's length negotiation, and will be not less favourable than those offered by Vite to other independent customers.

As the annual cap for each of the three years ending 31 December, 2006 is less than 2.5% of the applicable percentage ratios of the Company, the transactions contemplated under the Master Agreement (the "Transactions") constitute continuing connected transactions exempt from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules. Accordingly, the Transactions will only be subject to the annual review, reporting and announcement requirements set out in Rules 14A.37 to 14A.38 and 14A.45 to 14A.47 of the Listing Rules and no approval by the independent shareholders of the Company is required.

The annual cap has been determined principally with reference to the Group's expenses for financial printing services for the year ended 31 December, 2003 and the estimated spending in financial printing services for the year ending 31 December, 2004. The Group's expenses for financial printing services for the year ended 31 December, 2003 amounted to approximately HK$0.8 million. Taking into account the estimated expenses for financial printing services relating to the Acquisition of approximately HK$1 million for the year ending 31 December, 2004 and the buffer of HK$1 million for ad-hoc financial printing services to cater for the increase in demand for financial printing services, the Directors (including the independent non-executive Directors) and Tai Fook, as sponsor to the Company's listing application, consider that the proposed annual cap is fair and reasonable. The Directors (including the independent non-executive Directors) and Tai Fook are of the view that the Transactions are in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole. As the Transactions will be of a continuing nature and in the ordinary and usual course of business of the Group, the Directors consider that it would not be practicable to make disclosures in respect of such Transactions on each occasion they arise. The Company has applied for a waiver from the Stock Exchange in connection with the Transactions from strict compliance with the announcement requirements, pursuant to Rule 14A.42(3) of the Listing Rules. The Group will comply with the requirements set out in Rules 14A.36, 14A.37, 14A.38, 14A.39, 14A.40, 14A.45 and 14A.46 of the Listing Rules for the Transactions, including the proposed annual cap.

AMENDMENTS TO BYE-LAWS OF THE COMPANY

At the SGM, a special resolution will be proposed to amend the bye-laws of the Company mainly in compliance with the changes made to the Listing Rules by the Stock Exchange which became effective on 31 March, 2004. Such changes to the Listing Rules mainly relate to corporate governance and continuing listing obligations of companies listed on the Stock Exchange. Details of the proposed amendments are set out in Appendix VIII to this circular.

GENERAL

Since the aggregate audited consolidated profits of the Acquired Companies for the year ended 31 December, 2003 exceeds 100% of the audited consolidated profits of the Company for the year ended 31 December, 2003, the Acquisition constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules and is also treated as a reverse takeover pursuant to Rule 14.06(6) of the Listing Rules. The Stock Exchange has indicated to the Company that it will treat the Company as a new listing applicant pursuant to the Listing Rules if the Acquisition proceeds.

The Acquired Companies meet the requirements under Rule 8.05(1) of the Listing Rules and the Enlarged Group meets all the other basic conditions set out in Chapter 8 of the Listing Rules. A new listing application in respect of the Acquisition has been made to the Listing Committee of the Stock Exchange. **Such application may or may not be approved by the Listing Committee of the Stock Exchange and is also subject to other conditions. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Shares.**

No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.

As SNP Corporation is the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction pursuant to Rule 14A.13 of the Listing Rules and is conditional upon approval by the Independent Shareholders which voting shall be taken by poll. Further announcement will be made by the Company upon completion of the Acquisition.

Tai Fook is the financial adviser to the Company on the Acquisition and the sponsor to the Company's listing application.

SGM

The SGM is to be held at 10:30 a.m. on 6 September, 2004, Monday at Harbour Room, Level 56, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Admiralty, Hong Kong. Notice of the SGM is set out on pages 395 to 399 of this circular. At the SGM, an ordinary resolution will be proposed to approve the Acquisition by way of poll and to amend the bye-laws of the Company.

As far as the Company is aware after having made all reasonable enquiries, as at the Latest Practicable Date, SNP Corporation and its associates were altogether beneficially interested in 282,343,988 Shares (representing approximately 70.11% of the issued share capital of the Company), being the number of Shares in respect of which SNP Corporation and its associates will control or will be entitled to exercise control over the voting right at general meeting of the Company. SNP Corporation and its associates will abstain from voting on the ordinary resolution to approve the Acquisition at the SGM in respect of all their Shares. No voting trust or other agreement or arrangement or understanding (other than an outright sale) has been entered into by or binding upon SNP Corporation and/or any of its associates; and there was no obligation or entitlement of SNP Corporation or any of its associates as at the Latest Practicable Date, whereby SNP Corporation and/or its associates has/have or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/their Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the SGM is enclosed. Shareholders are requested to complete the enclosed form of proxy and return the same to the principal place of business of the Company in Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time of the SGM whether or not they intend to be present at the meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting should they so wish.

RECOMMENDATION

The Independent Board Committee comprising Mr. Kyle Arnold Shaw, Jr. ("Mr. Shaw") and Mr. Lai Ming, Joseph ("Mr. Lai") has been established to consider the Acquisition and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition Agreements and as to the manner in which the Independent Shareholders should vote at the SGM. Mr. Cheng Wai Wing, Edmund ("Mr. Cheng") and Mr. John Robert Walter ("Mr. Walter"), the other independent non-executive Directors, are considered to be not independent for appointment as members of the Independent Board Committee as Mr. Cheng and Mr. Walter are directors of SNP Corporation. On the other hand, Mr. Shaw and Mr. Lai are eligible for appointment as the Independent Board Committee since (a) they are not personally interested in the Acquisition; (b) they have not carried out any executive functions in the Company or any of its subsidiaries; and (c) as at the Latest Practicable Date, Mr. Shaw was interested in 324,000 Shares, representing less than 1% of the issued share capital of the Company (as disclosed in the section headed "Directors and senior management of the Company" of this letter, as at the Latest Practicable Date, Mr. Shaw was interested in less than 20% in Asian Value Investment Fund, L.P., which in turn was interested in approximately 3.16% of the issued share capital of the Company and Mr. Shaw is not deemed to be interested in the Shares held by Asian Value Investment Fund, L.P. under the SFO), and Mr. Lai did not have any shareholding interest in the Company.

Anglo Chinese has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders. The text of a letter from Anglo Chinese containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, together with the principal factors taken into account in arriving at its recommendation, is set out on pages 57 to 71 of this circular.

Having considered, among other things, the potential cost savings and synergies between the Group and the Acquired Companies, the financial performance of the Acquired Companies, the consideration price, and the finance cost of the bank borrowings, the executive Directors consider that the Acquisition is in the best interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice of Anglo Chinese, considers that the terms of the Acquisition Agreements are fair and reasonable and are in the best interests of the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution set out in the notice of the SGM to approve the Acquisition.

The Directors consider that the amendments to bye-laws of the Company are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the special resolution set out in the notice of the SGM to approve the amendments to bye-laws of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the sections headed "Risk Factors" and "Industry Overview" and the appendices and notice of the SGM set out in this circular.

Yours faithfully,
For and on behalf of the Board
SNP Leefung Holdings Limited
Mr. Yeo Chee Tong
Executive Director

SNP LEEFUNG HOLDINGS LIMITED

利豐雅高印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 623

14 August, 2004

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
TREATED AS A REVERSE TAKEOVER AND
AN APPLICATION FOR NEW LISTING AND
CONNECTED TRANSACTION INVOLVING
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
SNP EXCEL UNITED COMPANY LIMITED AND
AN EFFECTIVE INTEREST OF APPROXIMATELY 99.95% OF
THE VOTING SHARE CAPITAL OF
SNP SPRINT (THAILAND) CO., LTD. FROM
SNP CORPORATION LTD**

INTRODUCTION

We refer to the circular dated 14 August, 2004 ("Circular") issued by the Company to its Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We, being the two Directors who are independent of the Acquisition, have been appointed by the Board to constitute the Independent Board Committee to advise you as an Independent Shareholder whether in its view the terms of the Acquisition Agreements are in the best interests of the Company and the Independent Shareholders as a whole. Anglo Chinese has been appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

* *For identification purpose only*

The terms of the Acquisition Agreements are summarised in the letter from the Board in the Circular. The advice by Anglo Chinese to the Independent Board Committee and to the Independent Shareholders are in a detailed letter set out on pages 57 to 71 of the Circular.

ANALYSIS

The Independent Board Committee has met with Anglo Chinese and reviewed its letter in relation to the Acquisition Agreements. In coming to its recommendation, the Independent Board Committee has analysed the factors taken into account by Anglo Chinese referred to in its letter set out in the Circular and draws your attention to the following:

Operating performance

The past financial performance and profitability of Excel and SPrint have fluctuated inconsistently during the Track Record Period. The Anglo Chinese letter explains the reasons for the fluctuations in turnover and profit for each of Excel and SPrint. In addition, the Company's management explained to the Independent Board Committee the reasons for the past fluctuations in profit and the relatively weak performance in the first quarter of 2004. Several members of the Company's management, who in some cases are also management of SNP Corporation, have been involved in both Excel and SPrint, and, therefore, should be knowledgeable about their business conditions and prospects. The future business of Excel and SPrint is expected to continue to be managed by a team including these individuals.

The Company's management states there are synergies amongst Excel, SPrint, and the Company, as outlined in the Anglo Chinese letter. The Company's management is familiar with the business potential of both Excel and SPrint and should be well positioned to capitalize on these synergistic opportunities.

Valuation comparison with other publicly traded printing companies

Although various listed companies are compared, they do not appear to be primarily in the printing and publishing of "pop-up" and children's book business. Accordingly, these companies do not constitute an exact comparable group. In addition, the valuation multiples of the comparable traded companies do not include any premium if a majority stake/control of a company were to be acquired. In comparison to these other comparable listed printing companies, the proposed price earnings multiples for the Acquisition are high and the price to book ratios for the Acquisition are also at the high end of the range.

Comparable transactions

In comparing the Acquisition with previous transactions, it is noted that the majority of those involve SNP Corporation, its subsidiaries and/or members of the Group. As such, there was provided a small relevant independent sample of comparisons for previous transactions.

Negotiation of transaction

The Independent Board Committee has been informed by the Company's management that the terms of the Acquisition Agreements were negotiated on an arm's length basis between the Company and SNP Corporation. The Independent Board Committee did not participate in any of those discussions, nor did it meet with SNP Corporation.

Analysis conclusions

Although the Acquisitions' valuation is priced at the high end of other publicly traded printing companies and the profitability of the Acquired Companies has fluctuated during the Track Record Period, there appear to be synergies as the Company's management already knows the businesses well and will continue to control and manage these businesses. Importantly, the Acquisition will allow the Company to benefit from consolidated marketing and customer service and to scale up its operations into complementary "pop-up" and children's book printing businesses to supplement current efforts to grow the Company organically. Having a more diversified business portfolio may help the Company to reduce the impact of future economic fluctuation in any one business. Finally, as stated in the section headed "Letter from the Board" of this circular, there is the potential that the Company can become one of the world's leading manufacturers of children's and "pop-up" books, adding to strengths in magazine, coffee-table book, and package printing.

RECOMMENDATION

The Independent Board Committee has discussed with the Company's management the reasons for the Acquisition and has also discussed with Anglo Chinese the bases of their advice.

Taking into account the principal factors and reasons considered and highlighted in this letter and the recommendation given by Anglo Chinese the Independent Board Committee considers that the terms of the Acquisition Agreements are, as a whole, in the best interests of the Company and the Independent Shareholders and concurs with the recommendation given by Anglo Chinese that the terms of the Acquisition are fair and reasonable and that you vote in favour of the ordinary resolution set out in the notice of the SGM in relation to the terms of the Acquisition Agreements.

Yours faithfully,
THE INDEPENDENT BOARD COMMITTEE
Kyle Arnold Shaw, Jr. and Lai Ming, Joseph
Independent Non-Executive Directors

The following is the text of the letter from Anglo Chinese, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of incorporation in this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
財務顧問有限公司 英高

40th Floor, Two Exchange Square, 8 Connaught Place, Central,
Hong Kong

The Independent Board Committee
and the Independent Shareholders
SNP Leefung Holdings Limited
Room 1001-3, 10th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

14 August, 2004

Dear Sirs,

**VERY SUBSTANTIAL ACQUISITION
TREATED AS A REVERSE TAKEOVER AND
AN APPLICATION FOR NEW LISTING AND
CONNECTED TRANSACTION INVOLVING
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
SNP EXCEL UNITED COMPANY LIMITED AND
AN EFFECTIVE INTEREST OF APPROXIMATELY 99.95% OF
THE VOTING SHARE CAPITAL OF
SNP SPRINT (THAILAND) CO., LTD. FROM
SNP CORPORATION LTD**

We refer to our appointment by the Company to advise you in connection with the acquisition by the Company of the entire issued share capital of Excel, and an effective interest of approximately 99.95% of the voting share capital of SPrint from SNP Corporation.

The Acquisition constitutes a connected transaction of the Company since SNP Corporation is the controlling shareholder of the Company owning an interest of approximately 70.11% of the issued share capital of the Company. The Acquisition also constitutes a very substantial acquisition, since the aggregate consolidated profits of the Acquired Companies for the year ended 31 December, 2003 exceeds 100% of the audited consolidated profits of the Company for the year ended 31 December, 2003 and is also treated as a reverse takeover pursuant to Rule 14.06(6) of the Listing Rules. Accordingly, the Acquisition is subject to, amongst other things, the approval by poll of the Independent Shareholders at the SGM.

The Independent Board Committee comprising two independent non-executive Directors, namely Messers. Kyle Arnold Shaw, Jr. and Lai Ming, Joseph, has been formed to consider the Acquisition and to advise the Independent Shareholders on the fairness and reasonableness of the Acquisition and how to vote on the Acquisition. SNP Corporation and its associates (within the meaning of the Listing Rules) who in aggregate hold an interest of about 70.11% in the Company will abstain from voting on the resolution to approve the Acquisition at the SGM.

Anglo Chinese is independent of the Company and SNP Corporation and their respective directors, subsidiaries and associated companies and accordingly is considered suitable to give independent advice to you. Apart from normal professional fees for our services to the Company, which are described above, no arrangement exists whereby Anglo Chinese will receive any fees or benefits from the Company, the Directors or any of their respective associates.

In formulating our opinion and recommendation, we have reviewed the Acquisition Agreements, the audited financial statements of Excel, SPrint and CTT for the past three financial years and three months ended 31 March, 2004, the profit and cash flow projection of the Enlarged Group up to June, 2005, information on production capacity of the plants of Excel, SPrint and CTT, and the Group's financing arrangements relating to the Acquisition. We have also discussed with the management of the Company the background to the Acquisition, the basis of the consideration payable by the Company for the Acquisition as well as the Company's future plans following the Acquisition.

We consider that the information we have reviewed is sufficient to reach the conclusion set out in this letter. We have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Directors and have been advised by the Directors that no material information has been omitted from the information provided to us or referred to in this circular of which this letter forms part. We have relied on this information and have assumed that the statements made are true and will continue to be true until the SGM.

The terms defined in this circular have the same meanings in this letter, unless the context requires otherwise. In addition, we refer you to the letter from the Board contained in this circular, which gives full details of the Acquisition, and the appendices to this circular which give further information on the Company and the Acquired Companies as required by the Listing Rules. We advise that the Independent Shareholders read carefully the circular before they decide what action they should take.

Terms of the Acquisition

The Acquisition comprises the proposed acquisition by the Company from SNP Corporation of (i) the entire issued share capital of Excel and (ii) an effective interest of approximately 99.95% of the voting share capital of SPrint. Excel and SPrint are principally engaged in the production of children's pop-up and touch-and-feel books. Excel also offers typesetting services. The interest in SPrint to be acquired by the Company is made up of

10,339,999 SPrint Common Shares, representing approximately 94.93% of the voting share capital of SPrint and 4,898 CTT Common Shares, representing 98.93% of the voting share capital of CTT. As at the date of this letter, CTT owns 440,000 SPrint Common Shares, representing approximately 4.04% of voting share capital of SPrint and 11,219,996 SPrint Preference Shares, representing approximately 1.03% of the total voting share capital of SPrint. Based on the audited financial statements of CTT as at 31 December, 2003, CTT did not have any material assets or liabilities other than its interest in SPrint.

The consideration payable by the Company under the Excel Agreement and the SPrint Agreement is S$70,480,000 (equivalent to approximately HK$323.7 million) and S$17,520,000 (equivalent to approximately HK$80.5 million), respectively. The consideration is payable in cash on completion which shall be on the fifth business day after the satisfaction of all of the conditions precedent in the Excel Agreement and the SPrint Agreement, or such other date as the parties may agree. The consideration will be funded from internal resources of the Company and external bank borrowings. The executive Directors have stated that the consideration under the Acquisition was agreed after arm's length negotiation with reference to the audited net profit of Excel and SPrint, respectively.

SNP Corporation has given a non-competition undertaking to the Company, subject to completion of the Acquisition and a time limitation as set out in the section headed "Letter from the Board" of this circular. It will not engage in any business which may compete with the Enlarged Group, except for the printing of books which shall not exceed S$20 million in turnover during any year. Furthermore, SNP Corporation will not expand into competing business with the Enlarged Group either organically or by acquisition. Should an opportunity arise to acquire a competing business, SNP Corporation shall give the Company the right of first refusal.

The Directors have stated they intend to keep the senior management of the Acquired Companies, thereby facilitating a smooth transition upon completion of the Acquisition.

Principal factors taken into account in assessing the fairness and reasonableness of the Acquisition

In assessing the fairness and reasonableness of the Acquisition, we have considered the following factors:

History and activities of the Acquired Companies

The Acquired Companies have had a long history of operations in the printing business. Excel's operations are in Hong Kong and China while SPrint operates a factory in Thailand. Other details of the history of the Acquired Companies are stated in Appendix II to this circular.

Past performance of the Acquired Companies

The audited financial performance of Excel for the past three financial years and the three months ended 31 March, 2004 are shown below:

Table 1

	31 December, 2001	**31 December, 2002**	**31 December, 2003**	**Three months ended 31 March, 2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
– North America	207,763	284,567	213,710	41,665
– Europe	84,483	96,011	67,473	13,261
– Asia	19,883	21,284	20,186	8,646
– Australia	10,502	8,653	8,929	993
– South Africa	–	1,396	29,157	5,643
– Other regions	1,638	11,363	16,360	3,295
Total	324,269	423,274	355,815	73,503
Other operating income	1,581	5,004	6,779	2,116
Profit from operations	19,420	70,920	44,757	5,212
Finance costs	(5,635)	(3,078)	(2,163)	(256)
Taxation	(3,338)	(9,564)	(8,461)	(881)
Minority interests	(902)	–	–	–
Net profit	**9,545**	**58,278**	**34,133**	**4,075**
Dividends	–	70	70	–
Debt to assets ratio (Note)	*0.16*	*0.10*	*0.06*	*0.04*
Return on equity	*11%*	*41%*	*19%*	*NA*
Gross profit margin	*25%*	*33%*	*28%*	*25%*
Operating profit margin	*6%*	*17%*	*13%*	*7%*

Note: Adjusted for amounts due from/to SNP Group to be settled upon completion of the Acquisition.

The audited financial performance of SPrint for the past three financial years and three months ended 31 March, 2004 are shown below:

Table 2

	31 December, 2001	**31 December, 2002**	**31 December, 2003**	**Three months ended 31 March, 2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
– North America	72,537	56,608	59,907	17,034
– Europe	25,307	27,465	33,806	4,752
– Asia	8,742	10,313	13,045	1,595
– Other regions	2,746	3,610	2,149	723
Total	109,332	97,996	108,907	24,104
Other operating income	5,136	1,840	2,866	710
Profit (loss) from operations	11,817	(3,511)	10,135	1,312
Finance costs	(2,295)	(2,090)	(1,075)	(129)
Taxation	(16)	–	(569)	(79)
Net profit (loss)	**9,506**	**(5,601)**	**8,491**	**1,104**
Dividends	197	61	210	–
Debt to assets ratio (Note)	*0.30*	*0.29*	*0.18*	*0.19*
Return on equity	*15%*	*NA*	*12%*	*NA*
Gross profit margin	*19%*	*8%*	*22%*	*17%*
Operating profit margin	*11%*	*NA*	*9%*	*5%*

Note: Adjusted for amounts due from/to SNP Group to be settled upon completion of the Acquisition.

The audited financial performance of CTT for the past three financial years and three months ended 31 March, 2004 are shown below:

Table 3

	31 December, 2001	**31 December, 2002**	**31 December, 2003**	**Three months ended 31 March, 2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	171	61	210	–
Profit before taxation	157	39	193	(4)
Taxation (charge) credit	–	(6)	2	–
Net profit (loss)	**157**	**33**	**195**	**(4)**
Dividends	146	35	206	–

As can be seen in table 1 above, Excel recorded a 31% rise in turnover in 2002. This is due mainly to increased sales efforts to promote its printing business, and to a lesser extent, delayed customers orders from the last quarter in 2001 as consumers confidence recovered after the terrorism attack in New York on 11 September, 2001. Gross profit margin also improved from 25% in 2001 to 33% in 2002 as a result of reduction in the cost of paper and there were less sub-contracting of work to external printers. In addition, Excel enjoyed a reduction in finance costs with a general decline in interest rates and drop in its bank borrowings from about HK$9.6 million in 2001 to HK$4.2 million in 2002. Selling and distribution, and administrative expenses remained steady during 2002 as compared to the previous financial year. All these factors resulted in a 5.1 times increase in Excel's 2002 net profit to HK$58.3 million, which is a record for Excel in the past few years.

During 2003, Excel recorded a reduction of about 41% in its net profit when compared to its results in 2002, although about 2.6 times the net profit for the year ended 31 December, 2001. If one excludes from the turnover in 2002 the delayed customers orders of about HK$58 million in respect of the last quarter in 2001, the turnover in 2003 of about HK$355.8 million represents a 2.6% decrease from the previous financial year. This decrease was partly caused by the Iraq War that affected Excel's market in the United States (which accounted for some 64.1% to 67.2% of Excel's total turnover in the past two financial years), and partly by the outbreak of atypical pneumonia in Asia from around March to May 2003 that disrupted travelling plans of overseas customers and adversely affected the demand for Excel's products. Gross profit margin decreased to 28% from 33% in 2002 as labour cost increased by 17.6%, notwithstanding a continued reduction in paper cost and the use of sub-contracted printers to supplement Excel's production capacity. Excel's other expenditures remained stable except for finance costs that decreased from about HK$3.1 million in 2002 to about HK$2.2 million in 2003 largely as a result of the restructuring of some of Excel's finance lease arrangements into term loans that charged relatively lower interest rates.

Excel had generated positive net cash inflow from its operations in the region of between HK$29 million to HK$45 million per annum for the past three financial years.

For the three months ended 31 March, 2004, the sales of Excel were approximately HK$73.5 million. The executive Directors have confirmed that the business of Excel is seasonal with the first quarter being the traditional low period. In comparison to the same period the previous year, has sales and total expense have remained relatively unchanged. However, the recent rise in paper costs and change in the proportion of lower value-added pop-up books and touch-and-feel books sold have resulted in a drop in the gross margin which has affected the profitability of Excel.

As shown in table 2 above, SPrint's operations are smaller in scale when compared to that of Excel. SPrint recorded a net profit of HK$9.5 million in 2001, a net loss of about HK$5.6 million in 2002 and it returned to profitability in 2003 with a net profit of about HK$8.5 million. The decline in turnover in 2002 was mainly as a result of decreased sales of about HK$11 million from a single customer due to an exceptionally high level of orders from this customer in 2001. Gross profit margin also dropped to 8% as labour costs remained level at approximately 166.17 million Baht (or approximately HK$30.1 million) and there were a higher proportion of sales of lower value-added and relatively basic pop-up books and touch-and-feel books, and consequentially lower margin, products during this period. The failure of a new product development and product rejects amounting to about 5.4 million Baht and 8.6 million Baht, respectively (or HK$1.0 million and HK$1.6 million, respectively) during the period, had also affected SPrint's performance in 2002.

The main reasons for SPrint's turnaround in profitability during the year ended 31 December, 2003 were improved efficiency of its printing operations and productivity at its plant in Thailand that resulted in savings in staff costs of about HK$8.2 million. At the same time, SPrint's business shifted to produce more complex pop-up books and touch-and-feel books, which allowed greater value-added service and thus higher margin products, thereby increasing its gross profit margin to 22%. SPrint has remained profitable in the first quarter of 2004 posting an operating profit of approximately HK$1.3 million. Turnover for the period was approximately HK$24.1 million, down approximately 14.4% when compared to the same period the previous year.

SPrint had generated positive net cash inflow from its operations of about HK$9.6 million in 2002 and HK$27.7 million in 2003.

CTT is an investment holding company which holds 440,000 SPrint Common Shares and 11,219,996 SPrint Preference Shares. Other than its investment holdings in SPrint, CTT does not operate any other business nor does it have any other material assets or liabilities.

Net asset value of the Acquired Companies

The total consideration payable under the Acquisition Agreements represents a price to book ratio of about 1.6 times the aggregate book value of Excel and SPrint as at 31 December, 2003 of about HK$245.7 million and about 1.6 times the aggregate book value of the Excel and SPrint as at 31 March, 2004 of about HK$251.7 million. Given the past performance of the Excel and SPrint and their prospects as discussed below, we consider the premium to the net asset value as represented by the consideration of the Acquisition to be reasonable.

Comparison with prevailing valuation of publicly traded printing companies in Asia Pacific

We have compared the valuation ratios implied under the Acquisition with valuation of profit making listed printing or packaging companies in Asia Pacific, which we consider to be comparable.

Table 4

Company	**Listed in**	**Market capitalisation as at the Latest Practicable Date** *(US$ millions)*	**P/E** *(Note 1)*	**Price to book** *(Note 1)*	**Enterprise value/ EBITDA** *(Note 1)*	**Dividend yield (trailing 12 months** *(%)*
Hung Hing Printing Group	Hong Kong	443.7	13.1	2.0	9.0	4.7
The Company	Hong Kong	56.8	19.6	0.6	6.0	4.5
SNP Corporation	Singapore	56.7	9.8	0.8	10.5	4.8
Chung Tai Printing Holdings Ltd	Hong Kong	54.5	8.8	0.9	4.0	6.9
Starlite Holdings Limited	Hong Kong	42.5	5.7	1.4	4.0	4.5
Midas International Holdings Ltd	Hong Kong	37.7	5.2	0.5	3.3	7.3
FIMA Corporation Bhd.	Malaysia	32.0	8.8	0.9	5.9	4.5
Tien Wah Press Holdings Bhd	Malaysia	31.4	9.9	1.2	5.3	2.6
Thai British Security	Thailand	27.2	14.9	2.1	6.4	4.5
KDMEDIA Inc.	Korea	15.6	4.2	0.7	3.4	8.2
Forward Enterprise Company Ltd	Taiwan	9.6	6.3	0.6	6.4	8.1
High			19.6	2.1	10.5	8.2
Low			4.2	0.5	3.3	2.6
Average			9.7	1.1	5.8	5.5
Median			8.8	0.9	5.9	4.7
Excel *(Note 2)*			9.5	1.8	5.6	0.02
SPrint			9.5	1.1	6.0	0.26

Notes:

1. Based on the latest annual accounts of each company respectively.

2. Based on the profit minimum for 2004 pursuant to the Letter Agreement, the prospective price earnings multiple implied by the consideration is approximately 10.8 times.

Price earnings multiple

Based on the respective audited net profits of Excel and SPrint for their latest completed financial year, the Acquisition values Excel and SPrint both on an historic earnings multiple of 9.5 times. In comparison to the Asia Pacific printing companies listed above, the price earnings multiple is reasonable when compared with the average multiple of the industry. We have noted that the Company, which is included in the comparable, was trading at a significantly higher price earnings multiple then that of its peers. When the Company is excluded from the industry average, the average multiple decreases from 9.7 times to 8.7 times. Independent Shareholders should note that the comparative multiples are based on the closing price of the shares of the relevant company and do not include a premium that would be expected if control were to be acquired.

Pursuant to a verbal agreement on 15 September, 2003 between SNP Corporation and the then shareholders of Excel (the "Founders"), terms of which were subsequently confirmed in a letter agreement dated 8 October, 2003 among the same parties (the "Letter Agreement"), the Founders undertake to SNP Corporation that the consolidated net profit of Excel for the year ending 31 December, 2004 shall not be less than HK$30 million. In respect to this Letter Agreement, the Founders had deposited an aggregate sum of HK$12 million, which has been held in escrow, from which any shortfall in the consolidated net profit will be drawn. On completion of the Excel Agreement, SNP Corporation shall assign to the Company all its rights in respect of the Letter Agreement. The consideration payable under the Excel Agreement represents a prospective price earnings multiple over the agreed minimum consolidated net profit of approximately 10.8 times. In the instance that the minimum net profit agreement need be utilised, the prospective price earnings multiple, while higher than the industry average, remains within the upper range of the industry multiples. Independent Shareholders should note that should the profitability of Excel fall substantially, the enforcement of the HK$30 million profit minimum in excess of the HK$12 million held in escrow, may represent a risk to the profitability of the Group for the current financial year and going forward, and a risk in relation to the value of Excel and the consideration price.

Price to book ratio

The price to book ratio of Excel and SPrint implied by the consideration price under the Acquisition is approximately 1.8 times and 1.1 times, respectively, in respect to both the book values as at 31 December, 2003 and at 31 March, 2004. At 1.8 times, the consideration price of Excel is demanding as it falls at the top end of the range of its industry peers. SPrint's price to book ratio is of a more reasonable range, however still at the higher end.

Enterprise value to EBITDA multiple

When comparing companies listed in different markets using varying accounting standards, a commonly used valuation ratio is the enterprise value to EBITDA multiple. In comparison to the price earnings multiple, this ratio minimises the effects of different accounting methods and produces a multiple which is more consistent when comparing companies listed internationally. Based on the respective audited financial statements of Excel and SPrint for their latest completed financial year, the Acquisition values Excel and SPrint on an historic enterprise value to EBITDA multiple of 5.6 times and 6.0 times respectively. Contrast against the average and median multiples of the Asia Pacific printing companies of some 5.8 and 5.9 respectively, we consider the enterprise value to EBITDA values both Excel and SPrint at a fair and reasonable level.

Dividends

For the year ended 31 December, 2003, the total dividends declared and paid by Excel were about HK$0.01 per ordinary share in Excel. Accordingly, the proposed acquisition of the Excel Sale Shares implies an average historic dividend yield of 0.02%. During the same period, SPrint paid dividends of HK$0.019 per preferred share in SPrint, representing an implied average historic dividend yield of 0.26%. No dividends were paid in respect of SPrint Common Shares. The dividend yield as implied by the consideration price is comparably low, however as both Excel and SPrint are closely held unlisted private companies, this would be expected. Both Excel's and SPrint's retention rates are high as retained earnings are reinvested back into the business.

Comparable transactions

We have compared the terms of the Acquisition with previous transactions where private or publicly traded printing companies in Hong Kong were sold, including past transactions involving Excel and SPrint.

Table 5

Date of announcement/ transaction	**Target company**	**Percentage transferred**	**P/E** *(Note 1)*	**Price to book** *(Note 1)*
06/04	Fung Choi Printing and Packaging Group Limited	33%	13.5 times	NA
10/03	**Excel** *(Note 2)* (Exercise of call option to acquire 40% in Excel)	40%	3.6 times	1.25 times (based on the estimated net tangible assets as at 30 September, 2003)
07/03	The Company *(Note 2)*	56.42%	14.2 times	0.79 times
10/02	Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd.	26%	8.22 times	1.2 times (based on the net tangible assets as at 30 June, 2002)

Date of announcement/ transaction	**Target company**	**Percentage transferred**	**P/E** *(Note 1)*	**Price to book** *(Note 1)*
08/02	Vite Ltd *(Notes 2 and 3)*	100%	2.7 times (based on an average of the previous three financial years)	5.5 times (based on net tangible assets as at 6 June, 2002)
05/02	**SPrint** *(Note 2)*	13%	6.7 times	1.1 times (based on the net tangible assets as at 31 March, 2002)
01/02	4 printing units *(Note 4)*	100%	6.8 times	1.8 times (based on net asset value as at 30 September, 2001
09/01	**Excel** *(Note 2)*	60%	6.0 times	1.2 times (based on the net tangible assets as at 31 August, 2001)
04/99	**SPrint** *(Note 2)*	87%	4.0 times (based on an average of the previous three financial years)	1.4 times (based on the net tangible assets as at 31 December, 1998)
High			**14.2**	**5.5**
Low			**2.7**	**0.8**
Average			**7.3**	**1.8**
Median			**6.7**	**1.2**
Excel *(Note 5)*			**9.5**	**1.8**
SPrint			**9.5**	**1.1**

Notes:

1. Based on latest financial accounts of the acquired company at the time, unless otherwise indicated.

2. The purchaser was SNP Corporation.

3. The vendor was the Company.

4. The four printing units included South China Printing Company (1988) Limited, Roman Financial Press Limited, Valiant Packaging (Holdings) Limited, Noble World Printing Company Limited and their respective subsidiaries.

5. Based on the profit minimum for 2004 pursuant to the Letter Agreement, the prospective price earnings multiple implied by the consideration is approximately 10.8 times.

The price to book multiple implied by the Acquisition is in line with the average and median price to book multiples of the comparable transactions. However, the comparison with the price earnings multiple shows the Acquisition to be more demanding.

As shown in the tabulation above, SNP Corporation acquired Excel and SPrint separately in two stage transactions during the period from 1999 to 2003. The weighted average price earnings multiple and price to book multiple at which SNP Corporation acquired Excel were approximately 5.0 times and 1.2 times respectively. Similarly, for SPrint the multiples were approximately 4.4 times and 1.4 times respectively. The consideration implied by the Acquisition is comparable to the previous acquisitions by SNP Corporation in terms of price to book ratio, although the price earnings multiple of the Acquisition is notably higher.

The terms of the previous transactions to acquire Excel and SPrint by SNP Corporation were agreed upon from 1999 to 2002 during a period of slow economic growth internationally, low activity in the capital markets, and during a time of terrorist attacks in the United States, as were the majority of the other comparable transactions listed above. The most recent transactions (excluding the exercise of the call option to acquire 40% of Excel) show notably higher price earnings multiples of 13.5 times and 14.2 times. The comparisons in valuation should take into consideration the improved market conditions, and in this light we consider the price earnings multiples as implied by the Acquisition, in comparison to the comparable transactions stated above, are fair and reasonable.

Return on equity of the Acquired Companies

The return on equity of Excel and SPrint for the year ended 31 December, 2003 was approximately 19.3% and 11.8%, respectively. In comparison to the average and median return on equity of the Asia Pacific comparables listed in table 4 above, of some 11.1% and 9.1%, respectively, Excel and SPrint outperformed the industry. The business of manufacturing pop-up books and touch-and-feel book is labour intensive, as many of the work processes cannot be automated. This explains, in part, the favourable return on equity of Excel and SPrint as they require relatively less capital demands than traditional commercial printers, and more labour demands. That being said, the operating profit margins in 2003 of Excel and SPrint of approximately 12.6% and 9.3%, respectively, are in line with that of the comparables, which recorded an average and median operating profit margin of approximately 10.3% and 11.2%, respectively. The labour intensive nature of Excel's and SPrint's businesses, together with their labour cost controls have allow each of them to record better returns than the comparables.

The business of Excel and SPrint are seasonal with the first quarter being the traditional low season. Due to this seasonality, an annualised return on equity figure of the three months ended 31 March, 2004 would be misleading and inappropriate.

The effects of the Acquisition on the Group

On the basis of the pro forma combined financial information of the Enlarged Group as stated in this circular, the principal effects of the Acquisition on the Group would be as follows:

Net profit	–	would have increased by approximately 68.5% from HK$22.5 million recorded by the Company for the year ended 31 December, 2003 to approximately HK$37.9 million
Earnings per share	–	would have increased by approximately 68.5% from HK$0.056 recorded by the Company for the year ended 31 December, 2003 to approximately HK0.094
Net tangible asset value per share	–	would have decreased by approximately 22.9% from HK$1.792 recorded by the Company for the year ended 31 December, 2003 to approximately HK$1.382
Dividends	–	no policy has been expressed in this circular with respect to dividends following completion of the Acquisition
Return on equity of the Enlarged Group	–	would increase from the current 3.1% to a pro forma 5.1%
Working capital	–	the Directors have confirmed that taking into account the existing funding available following the completion of the Acquisition, the Group would have sufficient working capital
Gearing	–	would increase from the current 0.08 times net debt to assets ratio, which adjust for cash held by the Group, to a pro forma 0.31 times

The Company is proposing to finance the acquisition from the Company's internal resources and bank borrowings in the amount of HK$330 million. Banking facilities at three financial institutions have been secured in an aggregate amount of HK$430 million, large enough to finance the entire consideration for a term of four to seven years at an interest rate of HIBOR plus 0.65%. If the consideration were financed entirely from bank borrowings the net debt ratio and the interest coverage ratio of the Enlarged Group would change from 0.08 times and 9.5 times respectively to approximately 0.31 times and 6.0 times respectively.

Although the increase in debt burden is significant, the debt level is reasonable. On the basis of our review of the cash flow projection of the Enlarged Group for the next 12 months and our discussion with the management of the Company, it is expected that the Enlarged Group should have sufficient financial resources to repay the bank loans for the Acquisition and for working capital.

Upon completion of the Acquisition, the Enlarged Group will incur a goodwill charge due to the premium paid over the Acquired Companies book value. On a pro forma basis, the goodwill arising to the Enlarged Group would have resulted in a decrease of approximately 22.9% in the net tangible assets of the Enlarged Group.

Reasons for the Acquisition and prospects of the Group after the Acquisition

The Group is engaged in printing of high quality books and magazines, and packaging products which utilise a high degree of automation. During 2002, it discontinued its financial printing business which accounted for about 4.1% of its turnover that year. The Acquired Companies engage in labour intensive production of pop-up books and touch-and-feel books. The Directors believe the combination of the Group's existing business with the Acquired Companies' business will enable it to be in the field of the world's leading printing companies.

As stated in the letter from the Board contained in this circular, the Directors expect that the Group will benefit from the synergistic opportunities arising from the merging of the business of the Group and those of the Acquired Companies in the areas of sales and marketing, production and purchasing ability, which are expected to improve the Group's profitability in future. The Acquisition is expected to enable the Group to diversify its product offering and take advantage of cost saving synergies.

For the year ended 31 December, 2003, marketing expense was a major expenditure of the Group, accounting for about 39.4% of the total recurring operating expenditure of the Group. The merging of the marketing departments of the Group and the Acquired Companies will reduce cost, improve efficiency, and enable the Enlarged Group to improve its customer service by providing a centralised service. Following completion of the Acquisition, the Directors expect marketing costs of the Group to reduce significantly as the Enlarged Group will be able to offer a comprehensive range of printing services and cross-sell its different products to customers. Further, the Directors expect that the Acquisition will enable the Enlarged Group to streamline its production facilities by shifting some production processes to plants operating below capacity and better equipped and staffed facility. This will reduce production costs and shorten production lead time. In addition, the Enlarged Group may benefit from a centralised purchasing department thereby taking advantage of economies of scale and reducing overall inventory levels.

The Group's sales are largely made to China, excluding Hong Kong and the United States. For the year ended 31 December, 2003, the Group's sales to these two countries represented some 80% of the Group's total turnover. The markets of the Acquired Companies are mainly in Europe and the United States. It is expected that the Acquisition will help expand the Group's United States market and extend its market to Europe where the Acquired Companies has had a long history of market presence.

The financial performance of Excel and SPrint has fallen during the three months ended 31 March, 2004. The principle reasons for the decrease in profitability, as discussed above under the sub-section headed "Past performance of the Acquired Companies", are due to rising paper cost and a change in the products ordered by their customers toward lower margin products and as such the short-term results of the Acquired Companies may be affected. However, after weighing the consideration price and financial performance of Excel and SPrint with the potential mid-term and long-term cost savings and synergies between the Group and the Acquired Companies, we consider the Acquisition is in the best interests of the Group and its shareholders.

The form of the consideration

Consideration payable under the Acquisition will be settled in cash, which will be funded from the Company's internal resources and banking borrowings. Accordingly, the Acquisition will not have any dilution effect on the shares in the Company. On the basis of our review of the terms of the relevant loan agreements, the cash flow projection of the Enlarged Group and the guaranteed profit of Excel, and the Directors confirmation of sufficient working capital, it is not expected that the bank borrowings for financing the Acquisition will have any significant adverse impact on the cash flow of the Group following the Acquisition.

Opinion and recommendation

Based on the principal factors taken into account referred to above, we consider that the terms of the Acquisition are fair and reasonable as far as the Company and the Shareholders are concerned as a whole, and are on normal commercial terms. Accordingly, we recommend that the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution being proposed to approve the Acquisition at the SGM.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Charles Li
Director

HISTORY OF THE GROUP

The Group was founded by Mr. Yang Sze Chen, Peter in 1960 to engage mainly in the printing of packaging material for toy companies. In 1964, the Group began to engage in the printing of books, which has since then become the principal business of the Group.

Since September 1991, the shares of the Company have been listed on the main board of the Stock Exchange.

In 1992, the Group's factory in Shekou, Shenzhen commenced operation. In 1993, all production facilities of the Group were relocated from Hong Kong to Shekou, Shenzhen and the Group started to engage in magazine-printing business.

In May 1993, the Group acquired an approximately 39.20% equity interest in Beijing SNP Leefung Changcheng Printers Co., Ltd. (formerly known as Beijing Leefung-Asco Changcheng Printers Limited) which is principally engaged in the magazine printing business. Such interest was increased to approximately 44.44% and 47.03% in June 2000 and November 2001 respectively. Beijing SNP Leefung Changcheng Printers Co., Ltd. was an approximately 47.03% associate of the Group during the period from November 2001 to the Latest Practicable Date.

In May 1993, the Group acquired a 40% equity interest in Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. ("Shanghai J.V.") which is principally engaged in the cigarette packaging printing business. In April 1995, the Group further acquired a 11% equity interest in Shanghai J.V. In December 2002, the Group disposed of a 26% equity interest in Shanghai J.V. Shanghai J.V. was an approximately 25% associate of the Group during the period from December 2002 to the Latest Practicable Date.

In 1994, the Group set up the children's book division to engage in the printing of children's book and started the Shenzhen packaging operation.

In 1995, the Group completed the construction of its factory in Dongguan and commenced packaging printing in the new factory in Dongguan.

On 6 December, 1999, the Group acquired the entire issued share capital of Vite Limited (now known as SNP Vite Limited), a company engaged in financial printing, for a consideration of HK$100.38 million from an independent third party. On 8 August, 2002, the Group disposed of the entire issued share capital of Vite Limited to SNP Corporation for a cash consideration of HK$34 million. The Group has no present intention to buy back SNP Vite Limited from SNP Corporation.

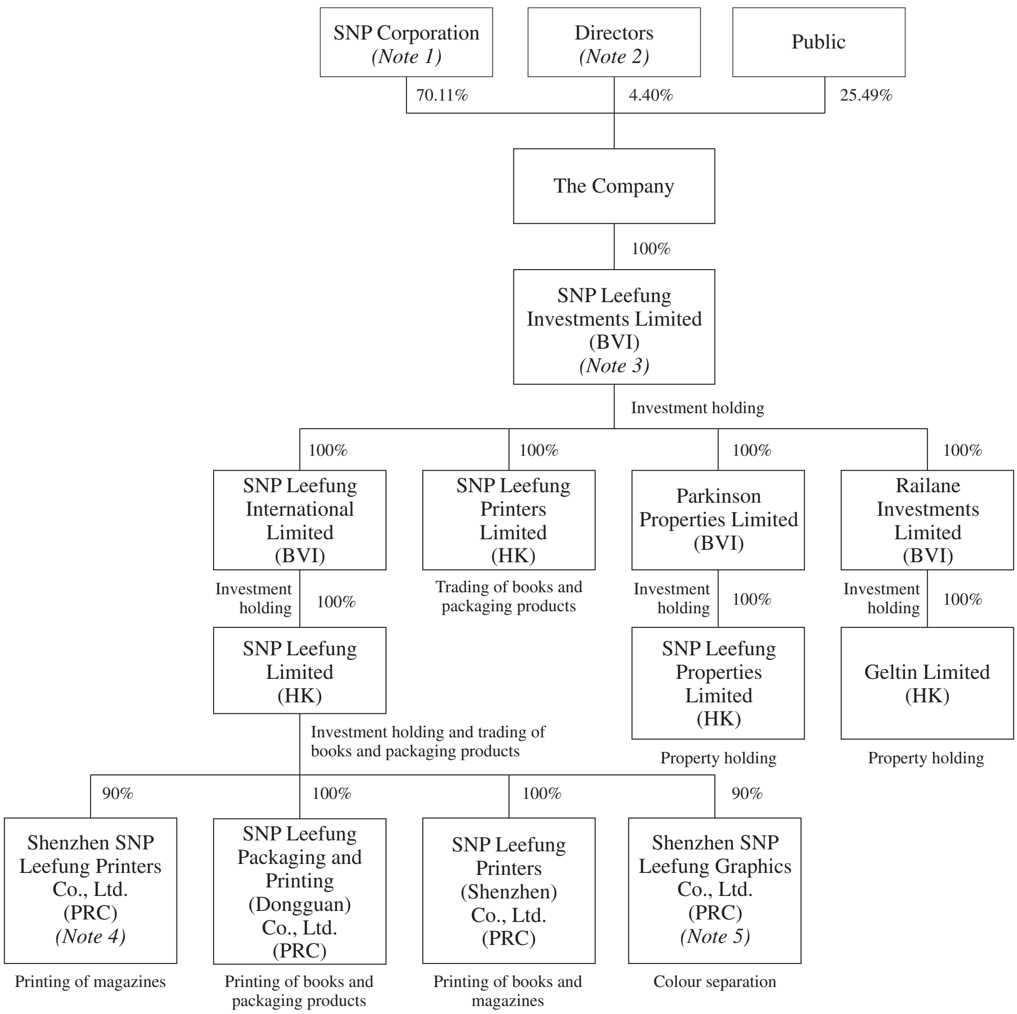
On 13 February, 2001, S. I. Holdings Limited, a wholly owned subsidiary of Smurfit International B.V., subscribed for 100,792,000 new Shares that represented approximately 25% of the then enlarged issued share capital of the Company and became a substantial shareholder of the Company, with the Yang Family Trust remaining as the largest shareholder of the Company.

On 4 July, 2003, SNP Corporation, acquired an aggregate shareholding interest of approximately 56.42% in the Company from S. I. Holdings Limited and the Yang Family Trust and made a general offer for the remaining Shares. Immediately following completion of acquisition of Shares under the general offer which closed on 29 July, 2003, SNP Corporation was interested in approximately 76.94% of the issued share capital of the Company. SNP Corporation on 22 August, 2003 placed approximately 9.68% of the issued share capital of the Company to independent investors and on 13 February, 2004 acquired from Mrs. Maria Yang approximately 2.85% of the issued share capital of the Company. As at the Latest Practicable Date, SNP Corporation held approximately 70.11% of the Company's entire issued share capital. As at the Latest Practicable Date, SNP Corporation, a company listed on the Singapore Exchange, was beneficially owned as to approximately 55% by Green Dot Capital Pte Ltd. Green Dot Capital Pte Ltd was an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, a company beneficially owned by the Ministry of Finance of the Government of Singapore.

All group companies of SNP Corporation have their company names starting with "SNP". In line with the corporate identity policy of SNP Corporation following the closing of the general offer mentioned above, on 28 August, 2003, the name of the Company was changed from Leefung-Asco Printers Holdings Limited to SNP Leefung Holdings Limited.

Corporate Structure

Set out below is a corporate chart showing the principal operating subsidiaries of the Group, their respective places of incorporation, and the shareholding structure of the Company as at the Latest Practicable Date.



Notes:

1. As at the Latest Practicable Date, SNP Corporation was beneficially owned as to approximately 55% by Green Dot Capital Pte Ltd. Green Dot Capital Pte Ltd was an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, a company beneficially owned by the Ministry of Finance of the Government of Singapore.

2. As at the Latest Practicable Date, Mr. Yang Sze Chen, Peter, an executive Director, on his own and through Team Long Development Limited, a company wholly owned by him, was interested in 17,414,867 Shares, representing approximately 4.32% of the issued share capital of the Company.

   As at the Latest Practicable Date, Mr. Kyle Arnold Shaw, Jr., an independent non-executive Director, was interested in 324,000 Shares, representing approximately 0.08% of the issued share capital of the Company, and Asian Value Investment Fund, L.P., in which Mr. Kyle Arnold Shaw, Jr. holds less than 20% interest and of which Mr. Kyle Arnold Shaw, Jr. is the fund manager, was interested in 12,728,000 Shares, representing approximately 3.16% of the issued share capital of the Company. Mr. Kyle Arnold Shaw, Jr. is not deemed to be interested in the Shares held by Asian Value Investment Fund, L.P. under the SFO.

3. SNP Leefung Investments Limited does not carry out any operations other than acting as an intermediate holding company.

4. The remaining 10% interest in Shenzhen SNP Leefung Printers Co., Ltd. is held by 深圳市新時代經濟諮詢中心 (Shenzhen New Times Economy Consultation Centre), an independent third party to the Group save for its shareholding in Shenzhen SNP Leefung Printers Co., Ltd.

5. The remaining 10% interest in Shenzhen SNP Leefung Graphics Co., Ltd. is held by 上海紡印印刷包裝有限公司 (Shanghai Fang Yin Printing and Packaging Co., Ltd.).

The Group is a diversified printing and packaging enterprise offering a one-stop service, covering pre-press printing to post printing and related distribution services. The Group is currently principally engaged in (i) books printing and magazines printing; and (ii) packaging printing.

The following table sets out the Group's revenue during the three years ended 31 December, 2003:

	2001		**2002**		**2003**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Printing of books and magazines	690,610	68	696,113	68	668,133	91
Printing of packaging products	265,454	26	284,243	28	66,453	9
Financial Printing	63,038	6	41,463	4	–	0
	1,019,102	100	1,021,819	100	734,586	100

(i) Books Printing and Magazines Printing

The Group's books printing business has three main lines of products, namely (a) hardcover (case-bound) and softcover; (b) children books; and (c) specialty products.

(a) Hardcover (case-bound) and Softcover

The Directors believe that for more than 40 years, the Group has served as a respected manufacturer of high quality hard-cover books. The Group's customers include many well-known publishers of trade, educational and children books. The hardcover (case-bound), softcover (sewn) and softcover (perfect-bound) products include four-color trade books, art books, educational textbooks, teacher's manuals, catalogs and children books which are exported to overseas markets. Besides, the Group's products also include books on Chinese Painting, Brush Calligraphy, Art Books, History, Antiques, Medical, Educational, History, Nature, Hobbies, Children Encyclopedias, Special Feature Encyclopedias, special feature books for Chinese educational purposes and high quality fashion books, which are for the PRC market. Post press finishing can also employ a variety of special binding methods such as exposed/concealed wire-O, spiral-binding, comb-binding, saddle-stitching, ring-binding and hand assembly.

(b) Children's Books

The children's book product line mainly include mini's, shape books, board books, books with sound components and those with special enclosures designed for items such as compact discs. Most of these products require hand-assembly techniques and an experienced work-force large enough to turnaround even the most sizeable projects.

(c) Magazines Printing

For almost 10 years, the Group's magazine printing has served demanding high-quality publishers in China. The Group's clients are well known publishers of many different features such as sports, automobiles, photography, fashion, leisure, hobbies, nature and life style etc. Examples of magazines printed by the Group include Marie Claire, Elle and Rayli. Saddle stitching and perfect binding are the most popular means of binding.

(ii) Packaging Printing

Over the past decade, the Group has been supplying lithography and folding carton packaging. The Group is capable of providing multiple colors with on-line water based coating, UV coating, PP lamination, calendaring, embossing, automatic die-cutting, automatic gluing and other processes. The Group's customers include many well-known toy, electrical/electronic, sport, shoes, health foods and other manufacturers.

In addition, the Group manufactures carrier bags for well-known producers of home appliances, confectionery, fashion, perfume, health foods and other products.

Since 2002, the Group also engaged in the manufacture of corrugated flexography packaging products for master shipping cartons as well as high-end graphic primary packaging cartons.

PRODUCTION

Books printing and magazines printing

The production process of books printing and magazines printing can be divided into three stages, namely, pre-press, press and post-press:

Pre-press

The Group discusses with most of its customers generally in the last quarter of each calendar year their projected requirements for the next calendar year. This enables the Group to estimate an expected sales value for that customer for the coming year. The required production capacity is then planned accordingly. The actual production quantity may vary from the preliminary estimate depending on the final level of orders and due to additional orders for new titles and further reprints of existing titles. The Group maintains frequent contact with its customers to update the expected order quantity and production schedule.

The ordering process usually commences with a customer requesting a quotation and stating its specifications and required delivery time. The price and delivery schedule and, in some cases, a sample of the book to be printed are then given to the customer. The sample shows the exact materials to be used to form the final product. An order is then confirmed with the Group if the customer is satisfied with the sample quality, the quotation and delivery schedule.

The production of a new order begins with the receipt of films or electronic files from the customer, generally between 45 days and 90 days prior to delivery of the finished product. Usually a set of four films, each bearing the primary colours of yellow, magenta, blue and black respectively, is used to form a multi-coloured page. The films are transferred onto an "astrofoil", a type of plastic film, to form an image of the print. If electronic files are received, the electronic files then go through the computer-to-plate ("CTP") system, of which the images in the electronic files are directly converted into images of the print.

Press

These images are developed onto alloy printing plates which are then inserted into a printing machine. The ink is then spread over the plates and offset onto paper to form finished multi-coloured images. A normal printed sheet contains 16 pages of text. The sheets are then machine folded to form a "signature". These signatures are placed in numerical order to be machine-sewn to form a book block which is then machine-trimmed to size.

Post-press

The hard-cover cases of the books are made in a separate process. Boards are cut to size and then glued to the required cover material. The trimmed book blocks are glued to the hard-cover cases by machine and, if required, laminated jackets are wrapped onto the books manually.

The production process for soft-cover books is the same as for the hard-cover books except at the binding stage. A printed paper cover is placed on the outside of a book block which is then machine glued at the spine to form a soft-cover book. Excess paper at the top, bottom and outside edges is then machine-trimmed.

Packaging printing

The production process of packaging printing can also be divided into three stages, namely, pre-press, press and post-press:

Pre-press

The Group receives the designs and specifications of the packaging products from the customers. The artwork designs from the customers have gone through the process of image composition in which the film positives or negatives are prepared, placed and registered in appropriate orders. The transfer of images from each of the film positives or negatives to printing plates is then carried out by the Group and samples are made for customers' approval.

Press

After the samples are approved by the customers, the production department carries out press operations in accordance with the customers' orders.

Post-press

Post-press operations mainly include thermo and conventional film laminating, U.V. coating, foil stamping and die-cutting to enhance printing results and to achieve various artistic and processing requirements of customers. Such operations are essential in increasing the attractiveness of the packaging products.

After the post-press operations, finished products will be inspected by quality control staff before packaging, warehousing and delivery to customers.

The Group is engaged in the printing of books and magazines and packaging products, which are printed in accordance with the design and requirements of its customers and no significant research and development work is required to be performed by the Group other than some simple design and paper engineering work. Accordingly, the Group does not have a research and development department.

Quality control

The Group carries out quality control checks at various stages of production. It is part of the responsibility of machine operators to sample their own output and ensure that the quality matches the clients' requirements. Each business division also has an independent quality control unit to sample all work in progress at various key processes including the final products in order to ensure that the Group's products meet the in-house high quality standard before they reach the clients.

Compensation claims have been a negligible percentage of the turnover during the Track Record Period.

PRODUCTION FACILITIES

Although headquartered in Hong Kong, the Group owns and operates two production facilities which are located in Shekou and Dongguan, the PRC respectively. The Shekou plant employs approximately 700 staff. Products of the Shekou plant are primarily for the local high-quality commercial print and color magazine markets. The plant's equipment capabilities includes full electronic prepress, including a CTP system, heatset web printing up to four colors, sheetfed litho printing up to five colors plus coating, sheet laminating, automatic saddle-stitching, automatic perfect-binding and hard-cover book binding lines.

The Dongguan plant employs approximately 1,300 staff for the production of both hard and soft cover color books for export to the US, Australian and European markets. Products include hard cover cases and soft cover books as well as children's books which are unique in design and require hand assembly. Sales are generated directly from the Hong Kong based sales team or through agents and/or representatives in other countries. The plant's equipment capabilities include full electronic prepress including CTP, sheetfed litho printing up to six colors plus U.V. or aqueous coating in-line, spot U.V. coating, sheet laminating, folding, cutting, sewing, case-making, hard-cover casing-in, gold gilding, foil stamping, die-cutting, punching and hand-assembly.

The Dongguan plant also employs approximately 700 staff for the production of all types of corrugated products as well as colored-box or folding cartons. Such products are utilized primarily by local manufacturers who in turn package their products for either domestic or export customers. Products include printed, unprinted, or laminated corrugated in various configurations, die-cut folding cartons for retail packaging, and retail display structures. The manufacturing capabilities include the manufacture of single-face or multiple-wall corrugated board up to 2.5 meters wide, direct flexo printing with multiple colors, automatic in-line scoring, creasing, die-cutting and gluing, board-to-board lamination, corrugated-to-board lamination, automatic & manual die-cutting and hand assembly.

The books, magazines and packaging materials produced in the Shekou and Dongguan plants are delivered to the local customers by trucks and to the customers outside the PRC by forwarders which handle the transportation of the goods to the port of delivery.

RAW MATERIALS

The principal raw materials used in the Group's production process, namely paper and hardboard, are standard products readily available from a number of overseas and local suppliers. Paper is purchased principally from suppliers in Japan and the PRC. Prices for paper are usually negotiated several times a year with the suppliers. Paper is mainly paid for in US dollars or RMB. Costs of paper and hardboard accounted for approximately 84%, 84% and 83% of the total purchases of raw materials for the year ended 31 December, 2001, 2002 and 2003, respectively. The supply of papers and hardboard were subject to market fluctuation of supply and demand during the three years ended 31 December, 2003.

The Group's management reviews the level of raw materials regularly and will make stock provision for obsolete or slow-moving stock. Stock provisioning assessment is conducted at least on a half-year basis to ascertain its adequacy.

Specific provision is made on papers aged over three years, damaged papers and paper of low quality and which can only be sold at scrap value. General provision is made based on the age interval groups, except for the wastage, damaged and obsolete papers for which the specific provision has already been made. The Group's policy on provision for inventory is as follows:

Aged between 1 to 2 years	20%
Aged between 2 to 3 years	50%
Aged over 3 years	100%

The lead time between ordering and delivery of paper is approximately two months and payment is normally made by issuing letters of credit of between 60 and 90 days' duration. The Group keeps a stock of raw material for at least two months' production. Other raw materials including ink, astrofoil and alloy printing plates are generally readily available in a week. Such raw materials are purchased from suppliers on 90 days' credit.

Write-off of inventories and allowance for inventories amounted to approximately HK$23.0 million and HK$13.6 million respectively for the year ended 31 December, 2001. As the Group conducted a thorough review of the conditions and carrying value of the inventories in 2001, the Group made substantial write-off of excessive inventories and allowance for inventories in that year. Since 2002, the Company implemented more stringent control over purchase and usage of raw materials. As a result, no write-off of or allowance for inventories was made during the two years ended 31 December, 2003.

SUPPLIERS

The credit terms granted by the Group's suppliers range from cash on delivery to 90 days. The Group has been conducting business with most of its major suppliers for at least 5 years and the Group has not experienced any material disruption in delivery or defects in the quality of such raw materials in the three years ended 31 December, 2003.

The purchases attributable to the Group's largest supplier accounted for approximately 13.4%, 12.0% and 25.7% of the Group's total purchases for the year ended 31 December, 2001, 2002 and 2003 respectively. The purchases attributable to the Group's five largest suppliers accounted for approximately 43.4%, 45.0% and 57.1% of the Group's total purchases for the year ended 31 December, 2001, 2002 and 2003 respectively.

Save for the fact that one of the five largest suppliers in 2001 and 2002 is an associate of Shanghai J.V., all the five largest suppliers of the Group for each of the three years ended 31 December, 2003 are independent third parties, and none of the Directors, their respective associates or any Shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital have any interest in the five largest suppliers of the Group for each of the three years ended 31 December, 2003. In May 1993, the Group acquired a 40% equity interest in Shanghai J.V. The equity interest in Shanghai J.V. held by the Group was increased to 51% in April 1995 and decreased to 25% in December 2002. The purchases attributable to the associate of Shanghai J.V. accounted for approximately 11.3%, 10.7% and nil of the Group's total purchases for the year ended 31 December, 2001, 2002 and 2003 respectively.

CUSTOMERS

Most of the customers have more than 5 years' relationship with the Group. The Group has entered into certain long term agreements with the major customers, such as the major magazines publishers. The business relationships are mainly developed from mutual trust relationship throughout the years. The Group will also explore new customers from book fairs. The Group has an experienced sales team to serve its customers and the Group will explore possibilities to expand the new markets and client base.

The credit periods vary from 90 days or 3 months to 180 days or 6 months in accordance with the industry practice.

In order to minimize the credit risk, credit management procedures are set up for the purpose of securing sales where payment will be met and debts are maintained at optimum level. Central Credit Control Department has been set up for overseeing the credit control policy.

Debtor aging report is reviewed by Central Credit Control Department and the management on a monthly basis.

Specific provision is made for outstanding balances which are overdue by more than 150 days except for those the subsequent settlement of which is foreseeable. General provision is made as follows: 1%-2% on the debts aged between 1 to 90 days and 2%-3% on the debts between 90 to 150 days.

For the three years ended 31 December, 2003, the Group's provision for bad and doubtful debts were approximately HK$43.2 million, HK$22.2 million, and nil, respectively. In 2001, the Group conducted a thorough review of the trade receivables. As a result of the review, the Group made substantial provision for bad and doubtful debts in 2001 due to non-recoverability of certain debts. From then onwards, the Group implemented more stringent control over selection of customers and credit policy. As a result, the provision for bad and doubtful debts decreased in 2002 and 2003.

The turnover attributable to the Group's five largest customers was less than 30% of the Group's total turnover for the year ended 31 December, 2001, 2002 and 2003.

COMPETITION

The Group, with approximately 2,880 employees, is believed by the Directors to be one of the largest printers of hard-cover books and magazines in Hong Kong given the fact that the Group's turnover amounted to over HK$700 million for the year ended 31 December, 2003, which is comparable to the turnover of the few printing companies listed in Hong Kong. According to the knowledge of the Directors, only a small number of printing establishments in Hong Kong compete directly with the Group's products. The Directors believe that the quality and reputation of the Group's products, achieved by specialisation in hard-cover books and the continuing expansion of its production capacity, places the Group in a strong position vis-a-vis its competitors in Hong Kong.

The Directors consider that the Group's overseas competition in hard-cover books for the US and European markets comes principally from Singapore and Italy. However, the Directors believe that the Group is competitive due to its pricing, reliable delivery, flexibility and quality printing.

SALES AND BUSINESS DEVELOPMENT

Sales

The Group's customers are principally publishers who in turn sell directly to bookshops and other retailers. The Group has established a close working relationship with each of its major customers over a number of years. The Group has conducted business with its five largest customers for five or more years.

The major markets for the Group's products are located in the PRC, US and United Kingdom. The Directors are not aware of any quota restrictions on the importation of books into US and United Kingdom.

Sales of books, magazine and packaging products accounted for approximately 94%, 96% and 100% of the total turnover for the year ended 31 December, 2001, 2002 and 2003.

Certificates, permits and licenses

Save as disclosed below, the Company has confirmed that the Group has obtained the necessary certificates, permits and licenses for operating its current business in the PRC and there are no other restrictions imposed by the relevant regulatory authorities. Details of such certificates, permits and licenses are set out below:

Company Name	Certificates/ Permits/Licences	Issuing Authority	Issue Date	Expiry Date	Term
SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) *(Notes 1 and 4)*	Printing License	Press & Publishing Bureau of Guangdong Province (廣東省新聞出版局) *(Note 5)*	1/1/2004	31/12/2005	Printing of publications, printed matters of packaging and decoration and other printed matters
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) *(Notes 2 and 4)*	Printing License	Press & Publishing Bureau of Guangdong Province (廣東省新聞出版局) *(Note 5)*	30/3/2002	31/12/2005	Printing of overseas publications, packaging and decoration and other printed matters
Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司) *(Notes 3 and 4)*	Printing License	Press & Publishing Bureau of Guangdong Province (廣東省新聞出版局) *(Note 5)*	30/3/2002	31/12/2005	Printing of printed matters of packaging and decoration and other printed matters
Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司) *(Notes 3 and 4)*	Printing License	Press & Publishing Bureau of Guangdong Province (廣東省新聞出版局) *(Note 5)*	30/3/2002	31/12/2005	Printing of publications, printed matters of packaging and decoration and other printed matters

Notes:

1. With respect to 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.), the Directors confirmed that save and except for the periods from 1 January, 2001 to 25 April, 2001 and 1 January, 2002 to 29 March, 2002, the above company has obtained all the relevant printing licenses during the Track Record Period. The Directors explained that 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.) failed to obtain any printing licenses for the above periods as it was in the process of renewing its then printing licenses and the relevant renewed printing licenses were issued to 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.) on 26 April, 2001 and 30 March, 2002 respectively.

2. With respect to 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.), the Directors confirmed that save and except for the periods from 1 January, 2002 to 29 March, 2002, the above company has obtained all the relevant printing licenses during the Track Record Period. The Directors explained that 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.) failed to obtain any printing licenses for the above period as it was in the process of renewing its then printing license and the renewed printing license was issued to 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.) on 30 March, 2002.

3. With respect to 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) and 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.), the Directors confirmed that save and except for the period from 1 January, 2002 to 29 March, 2002, the above companies have obtained all the relevant printing licenses during the Track Record Period. The Directors explained that both 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) and 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.) failed to obtain any printing licenses for the above period as they were both in the process of renewing their then printing licenses and the relevant renewed printing licenses were issued to 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) and 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.) respectively on 30 March, 2002.

4. The Directors have confirmed that save and except those periods mentioned above, 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.), 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.), 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.) and 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) have obtained all the relevant printing licenses during the Track Record Period. The relevant legal advisers to the Company on PRC laws have confirmed that pursuant to the relevant PRC laws and regulations, should 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.), 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.), 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.) and 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) commence their respective printing businesses without obtaining the relevant printing licences, the relevant PRC government authority is entitled to confiscate the printing products and earnings made by the above companies during the relevant period and their principal printing machinery and equipment and to order such companies to terminate their business operations, and they may also be liable to a maximum penalty of less than 10 times of their respective revenue deriving from such businesses. Based on the confirmation of the Directors, the Group has not received any notice from the relevant PRC government authority in relation to the absence of printing licences of the relevant PRC subsidiaries of the Group for the periods from 1 January, 2001 to 25 April, 2001 and 1 January, 2002 to 29 March, 2002 nor any warning from the relevant PRC government authority indicating that the above PRC companies had failed to obtain the relevant printing licenses during the above mentioned periods when the renewed printing licenses were issued to the relevant companies on 26 April, 2001 and 30 March, 2002 respectively. The PRC legal advisers have confirmed that pursuant to《中華人民共和國行政處罰法》(Administrative Punishment Law of the People's Republic of China), the relevant PRC government authority will not impose any penalty or other punishment on any defaulting companies if a period of two years have already lapsed since the occurrence of the relevant defaulting acts and such acts have not been discovered by the relevant PRC government authority during such period. As the relevant defaulting acts occurred during the periods from 1 January, 2001 to 25 April, 2001 and 1 January, 2002 to 29 March, 2002 and based on the Directors' confirmation mentioned above, the PRC legal advisers have confirmed that 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.), 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.), 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) and 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.) will not be subject to the above penalty and punishment. The relevant legal advisers to the Company on PRC laws further confirmed that the explanation provided by the Directors above was reasonable and acceptable based on its experience and consultation with the relevant PRC government authority and the absence of printing licenses for such period should not affect the legality of the respective businesses carried out by 利豐雅高印刷(深圳)有限公司 (SNP Leefung Printers (Shenzhen) Co., Ltd.), 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.), 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.) and 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.).

5. The PRC lawyers have confirmed that Press & Publishing Bureau of Guangdong Province is the proper authority to issue the respective printing licenses to the relevant companies under the PRC laws and regulations.

Taxation

The legal advisers to the Company on PRC laws have confirmed that each of the members of the Group in the PRC has complied with the relevant PRC laws in relation to taxation registration, and has obtained the relevant tax registration certificate.

On the basis of the confirmations issued by the relevant PRC taxation authorities, the Directors have confirmed that:

(i) each of Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司), Shenzhen SNP Leefung Graphics Co., Ltd (深圳利豐雅高電分制版有限公司) and SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) has no outstanding tax liabilities during the three years ended 31 December, 2003. The relevant PRC taxation authorities have further confirmed that each of the above companies has paid the relevant tax for the three months ended 31 March, 2004 as stated in the respective confirmations issued by the relevant PRC taxation authorities;

(ii) SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) has paid the tax due and payable for the three years ended 31 December, 2003. The relevant PRC taxation authorities have further confirmed that the above company has paid the local tax due and payable for the three months ended 31 March, 2004.

Environmental protection

Under the laws of the PRC, each of Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司), Shenzhen SNP Leefung Graphics Co., Ltd (深圳利豐雅高電分制版有限公司), SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) and SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) shall:

(i) obtain approval for its report on environmental impact prior to its establishment;

(ii) arrange for inspection by the relevant environment protection department of the environmental facilities of its construction project;

(iii) apply for registration of waste discharge; and

(iv) in respect of any new construction, re-construction and expansion works, submit a report on environmental impact to the environmental protection department and other relevant government departments for review and approval before the design for the works is made.

Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司)

As confirmed by Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司), its report on environmental impact has already been approved before its establishment. The environmental facilities of its construction project have also been inspected by the relevant environmental protection department in the PRC. However, Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司) has not applied for registration of waste discharge. The Directors have confirmed that Shenzhen SNP Leefung Printers Co., Ltd. (深圳利豐雅高印刷有限公司) will arrange the relevant registration as soon as practicable.

Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司)

Prior to its establishment, Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司) has already completed the relevant application form for approval from the relevant environmental protection department in the PRC in respect of the environmental impact of its construction project. On the basis of a reply issued by the Shenzhen Environmental Protection Bureau in August, 1997, the aforesaid application form has already been approved by the Shenzhen Environmental Protection Bureau. However, the aforesaid application form and reply were only valid for a period of 5 years and expired in August, 2002. Accordingly, Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司) will have to apply for review and renewal of the term of such documents. As confirmed by Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司), its environmental facilities have already been inspected by the environmental protection department in the PRC. Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司) has not applied for registration of waste discharge. The Directors have confirmed that Shenzhen SNP Leefung Graphics Co., Ltd. (深圳利豐雅高電分制版有限公司) will arrange the relevant registration as soon as practicable.

SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司)

Prior to its establishment, SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) has already completed the relevant application form for approval from the relevant environmental protection department in the PRC in respect of the environmental impact of its construction project. However, the application form has not been approved by the relevant environmental protection department. SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) has already appointed the Shenzhen Environmental Construction Consultancy Service Centre to evaluate the environmental impact of its construction project. In addition, since SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) has not arranged for any evaluation of environmental impact since its establishment, it has also appointed the aforesaid centre to conduct a retrospective evaluation of environmental impact as requested by the relevant environmental protection department in the PRC. As confirmed by SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司), the report issued by the Shenzhen Environmental Construction Consultancy Service Centre has been approved by the relevant environmental protection department in the

PRC. SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) has not applied for registration of waste discharge. The Directors have confirmed that SNP Leefung Printers (Shenzhen) Co., Ltd. (利豐雅高印刷(深圳)有限公司) will arrange the relevant registration as soon as practicable.

SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司)

SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) has not attended to the relevant environmental protection procedures upon its establishment. However, SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) has subsequently attended to the relevant procedures in respect of its factories, dormitories and ancillary facilities. SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) has not applied for registration of waste discharge. SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) has appointed South China Environmental Science Research Institute of the State Environmental Protection Bureau to evaluate the environmental impact of its construction project. The report issued by South China Environmental Science Research Institute of the State Environmental Protection Bureau has been approved by a sub-division of the Dongguan City Environmental Protection Bureau. On the basis of the reply and approval issued by the Dongguan City Environmental Protection Bureau, the facilities of the construction project in relation to control of pollution must be inspected and approved by the Dongguan City Environmental Protection Bureau. As confirmed by SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司), the construction of such facilities has not been completed, and accordingly SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (利豐雅高包裝印刷(東莞)有限公司) is unable to apply for inspection of the relevant facilities at the current stage.

In accordance with the relevant PRC laws and regulations, any company which fails to arrange the waste discharge registration will be liable for a maximum fine of RMB3,000 and such company may also be required to complete the relevant registration procedures within a specified period. The Directors considered that the level of pollution caused by the businesses of the four subsidiaries of the Group in the PRC was not material and thus no application for registration of waste discharge had been made since the establishments of the respective companies. However, after consultation with the PRC legal advisers, the Directors have agreed to arrange for the relevant registrations as soon as practicable.

Intellectual property

As at the Latest Practicable Date, the Group did not have any trade marks, patents or other intellectual or industrial property rights which were material in relation to the business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION OF THE GROUP

Trading Record

		For the year ended		
		2001	2002	2003
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
Continuing operations	*1*	956,064	980,356	734,586
Discontinuing operation	*2*	63,038	41,463	–
		1,019,102	1,021,819	734,586
Cost of sales		(873,902)	(789,815)	(573,076)
Gross profit		145,200	232,004	161,510
Other operating income		6,180	3,091	4,235
Distribution costs		(35,638)	(40,634)	(46,886)
Administrative expenses		(154,497)	(126,906)	(72,217)
(Deficit) surplus on revaluation of investment properties		(10,840)	(15,334)	960
Loss on disposal of investment properties		–	–	(951)
Gain (loss) on disposal of property, plant and equipment		101	(3,965)	(268)
Impairment loss recognised in respect of plant and machinery	*3*	–	–	(13,370)
Amortisation of goodwill arising from the acquisition of subsidiaries		(355)	–	–
Impairment loss recognised in respect of goodwill		(2,638)	–	–
Gain on disposal of discontinuing operation	*2*	–	25,506	–
Gain on disposal of interests in subsidiaries		–	816	–
(Loss) profit from operations		(52,487)	74,578	33,013
Finance costs		(23,399)	(12,766)	(3,459)
Loss on disposal of an associate		(300)	–	–
Share of results of associates		(3,323)	3,526	4,849
Amortisation of goodwill arising from the acquisition of an associates		(290)	(403)	(403)
(Loss) profit before tax				
Continuing operations		(72,923)	61,956	34,000
Discontinuing operation	*2*	(6,876)	2,979	–
		(79,799)	64,935	34,000

		For the year ended		
		2001	2002	2003
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Income tax expenses				
Continuing operations		(8,340)	(15,771)	(11,220)
Discontinuing operation	*2*	553	(400)	–
		(7,787)	(16,171)	(11,220)
(Loss) profit after tax		(87,586)	48,764	22,780
Minority interests		(7,643)	(8,627)	(283)
Net (loss) profit attributable to shareholders		(95,229)	40,137	22,497
Dividends				
Interim		–	8,055	8,055
Proposed final		–	12,082	12,082
		–	20,137	20,137
(Loss) earnings per share	*4*			
Basic		(24.36) cents	9.97 cents	5.59 cents
Diluted		N/A	N/A	N/A

Notes:

1. Turnover represents the amount received and receivable for goods sold to outside customers, less returns and trade discounts.

2. On 2 August, 2002, the Company entered into a sale and purchase agreement with SNP Corporation, pursuant to which the Company procured to dispose of the entire interests in Vite Limited, a wholly-owned subsidiary of the Company, for a total consideration of HK$34.0 million, resulting in a gain on disposal amounting to approximately HK$25.5 million. For clarity purpose, SNP Corporation was not a shareholder of the Company at the date of disposal. The transaction was duly completed on 8 August, 2002.

   As at the date of disposal, the carrying amounts of the total assets and liabilities of the subsidiary disposed of were approximately HK$22.0 million and approximately HK$15.2 million, respectively. The net cash inflows (outflows) attributable to the operating, investing and financing activities of the discontinuing operation for the year ended 31 December, 2002 amounted to approximately HK$4.4 million, approximately HK$(0.7) million and approximately HK$(1.4) million, respectively.

3. The Packaging Division in Dongguan has been incurring operating losses since 2001. In connection with this, the management of the Company conducted a detailed assessment of its plant and machinery and concluded that the recoverable amount of certain machinery were less than their carrying values due to obsolescence. Accordingly, an impairment loss of approximately HK$13.4 million has been recognised as an expense in the income statement during the year ended 31 December, 2003. In the opinion of the Directors, the recoverable amounts of these assets represent their net selling prices at the balance sheet date.

4. The calculation of the basic earnings per share for each of the three years ended 31 December, 2003 is based on the net (loss)/profit attributable to shareholders of HK$(95,229,000), HK$40,137,000, HK$22,497,000 respectively, during the years and on the weighted average of 390,976,272 shares, 402,736,288 shares, 402,726,918 shares respectively in issue during the years.

   Diluted earnings per share has not been presented for the three years ended 31 December, 2003 as the Company has no potential shares outstanding during the years.

Results of operation

Financial year ended 31 December, 2001

Turnover

For the year ended 31 December, 2001, the Group's turnover amounted to approximately HK$1,019.1 million which was derived from the books and magazines printing, packaging printing and financial printing. Of the total turnover, approximately 67.8% was generated from printing of books and magazines, approximately 26.0% was generated from printing of packaging products, and the remaining 6.2% was generated from financial printing.

Gross profit

The overall gross profit margin of approximately 14.2% for the year ended 31 December, 2001 was lower than the normal gross profit margin of approximately 20.0%. The gross profit in 2001 was adversely affected not only by the difficult operating environment, but also the following two factors. Firstly, the management of the Group conducted a careful review of the business trends, past and present stock levels and future materials requirement of the Group. This has resulted in an additional provision for and write-offs of inventory of approximately HK$36.5 million. Secondly, an exceptional discount of approximately HK$7 million was granted to a major customer to settle claims over shipments made in prior years in order to maintain goodwill.

Other operating income

Other operating income for the year was approximately HK$6.2 million, which mainly represented interest income of approximately HK$1.3 million and reversal of prior year's over-accruals of expenses of approximately HK$2.7 million.

Distribution costs

Distribution costs for the year amounted to approximately HK$35.6 million, which mainly comprised freight charges of approximately HK$32.4 million and sales commission of approximately HK$0.9 million.

Administrative expenses

Administrative expenses for the year amounted to approximately HK$154.5 million, which mainly comprised provision for bad and doubtful debts of approximately HK$43.2 million, staff cost of approximately HK$63.8 million, depreciation of approximately HK$5.0 million and entertainment expenses of approximately HK$4.8 million.

Loss from operations

The Group recorded a loss from operations of approximately HK$52.5 million for the year ended 31 December, 2001. The loss was mainly attributable to (i) the provision for bad and doubtful debts of approximately HK$43.2 million; and (ii) the provision for diminution in value of investment properties of approximately HK$10.8 million.

Finance costs

Finance costs for the year of approximately HK$23.4 million mainly represented interest expenses on bank loans and bank overdrafts for financing the operations of the Group. The decrease was mainly due to lower interest rates and reduction in total bank borrowings, which balance dropped from approximately HK$482.3 million as at 31 December, 2000 to approximately HK$315.4 million as at 31 December 2001. The significant decrease in the bank borrowing level was mainly due to the utilisation of part of the proceeds from issue of new shares during the year for repayment of bank loans.

Taxation

Taxation was calculated at 16% of the estimated assessable profit derived in Hong Kong and at the tax rate prevailing in other jurisdictions in the respective jurisdiction.

The Group suffered a loss before tax of approximately HK$80.0 million for the year 2001. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived in Hong Kong. However, as there were assessable profit derived in the PRC, PRC tax of approximately HK$8.3 million has been provided.

Net loss attributable to shareholders

With the loss from operations of approximately HK$52.5 million, finance costs of approximately HK$23.4 million, the share of loss of associates and loss on disposal of an associate of approximately HK$3.6 million in aggregate, the taxation charge of approximately HK$7.8 million and the profit attributable to minority interests of approximately HK$7.6 million, the Group recorded a net loss attributable to shareholders for the year ended 31 December, 2001 of approximately HK$95.2 million.

Financial year ended 31 December, 2002

Turnover

The total turnover for the year amounted to approximately HK$1,021.8 million, of which approximately 68.1% was contributed by books and magazines printing, approximately 27.8% was contributed by packaging printing, and approximately 4.1% was contributed by financial printing.

As a result of the Group's policy to concentrate in developing its core business, in August 2002, the Group disposed of Vite Limited, the then subsidiary of the Group engaged in financial printing business, to SNP Corporation at a consideration of HK$34 million, representing a premium of approximately 534% over the net tangible asset of Vite Limited as at 31 July, 2002. Accordingly, financial printing only recorded turnover for the first 7 months of the year and the turnover from financial printing dropped by approximately HK$21.6 million compared to prior year.

On the other hand, the business of the packaging printing improved during 2002, recording an increase in turnover of approximately HK$18.8 million which represented an increase of approximately 7.1% compared to 2001. The management of the Group attributed such business growth to the strengthening of the relationship with a key customer which enabled the Group to recapture subcontracting work for the important American market.

The business of the books and magazines printing during 2002 remained relatively stable with a turnover of approximately HK$696.1 million as compared to the turnover of approximately HK$690.6 million for 2001. While the management of the Group has identified that the export market for books was a growth area in the early part of 2002, it was adamant that the new dynamism of the sale force should be accompanied by a strict selection of customers in order to minimize the credit risk exposure in view of significant bad debt level in 2001, thus limiting the turnover growth of the books and magazines printing.

As a result of the above, the total turnover of the Group of approximately HK$1,021.8 million for 2002 was comparable to that for 2001 of approximately HK$1,019.1 million.

Gross profit

The overall gross profit margin was approximately 22.7% for the year ended 31 December, 2002, representing a significant improvement from that of approximately 14.2% for 2001.

The improvement in gross profit was mainly attributable to two reasons. Firstly, there was no exceptional provision or write-offs of inventory for the year. Secondly, as a result of more stringent control over the usage of raw materials and labour costs, raw materials costs expressed as a percentage of sales dropped from approximately 53.2% for 2001 to approximately 51.4% for 2002 while staff cost included in manufacturing overhead decreased by approximately HK$18.5 million.

Distribution costs

Distribution costs for the year amounted to approximately HK$40.6 million, representing an increase of approximately HK$5.0 million or approximately 14.0% as compared with prior year. Such increase was mainly due to the increase in sales commission of approximately HK$1.7 million and the increase in freight charges of approximately HK$2.5 million resulting from the increase in export sales.

Administrative expenses

Administrative expenses for the year amounted to approximately HK$126.9 million, which decreased by approximately HK$27.6 million or 17.9% from prior year. The decrease was mainly due to the reduction in provision for bad and doubtful debts of approximately HK$21.0 million and decrease in staff cost of approximately HK$1.0 million. Also, the rental expenses dropped by approximately HK$1.8 million in 2002 as a result of the disposal of Vite Limited.

Profit from operations

The Group recorded a profit from operations of approximately HK$74.6 million for 2002 compared to a loss of approximately HK$52.5 million for 2001. The turnaround was attributable to the improvement in gross profit margin and cost savings made possible by tight cost control measures. The performance was further enhanced by the gain on disposal of Vite Limited of approximately HK$25.5 million.

Finance costs

Finance costs for the year amounted to approximately HK$12.8 million, representing a decrease of approximately HK$10.6 million or 45% from prior year, reflecting both the fall in interest rates and borrowings level which dropped from approximately HK$315.4 million as at 31 December, 2001 to approximately HK$202.1 million as at 31 December 2002.

Taxation

Taxation was calculated at 16% of the estimated assessable profit derived in Hong Kong and at the tax rate prevailing in other jurisdictions in the respective jurisdiction.

The effective tax rate was 24.9% in 2002. During the year, the tax benefit schemes previously enjoyed by the Shanghai cigarette packaging joint venture and one of the PRC subsidiaries expired and the PRC enterprise income tax rates for these two companies have been increased from 13.5% to 27.5% and from 7.5% to 15% respectively.

Net profit attributable to shareholders

With the improvement in the results from operations, the reduction in finance costs and improvement in results of its associates, the Group recorded a profit attributable to shareholders of approximately HK$40.1 million for 2002.

Financial year ended 31 December, 2003

Turnover

The total turnover for the year amounted to approximately HK$734.6 million, of which approximately 91.0% was attributable to the books and magazines printing and approximately 9.0% was attributable to the packaging printing.

The total turnover decreased by approximately HK$287.2 million or 28.1% from prior year and was mainly due to the combined effects of the exclusion of turnover from Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd., Vite Limited and Racing World Publications Ltd. (the "Disposed Subsidiaries") as a result of the disposal of these subsidiaries in December 2002, August 2002 and December 2002 respectively. Turnover from Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd., Vite Limited and Racing World Publications Ltd. included in the Group's turnover for the year ended 31 December, 2002 amounted to approximately HK$216 million, HK$41.5 million and HK$3.5 million respectively.

Gross profit

The overall gross profit margin of approximately 22.0% was comparable with that of prior year. However, due to the exclusion of the contribution from the Disposed Subsidiaries, gross profit dropped from approximately HK$232.0 million for 2002 to approximately HK$161.5 million for 2003.

Distribution costs

Distribution costs increased by approximately HK$6.3 million or 15.5% as compared to 2002 and was mainly due to the classification of staff cost of approximately HK$5.6 million and sales office expenses of approximately HK$4.5 million as distribution costs in 2003 instead of administrative expenses as in 2002.

Administrative expenses

Administrative expenses decreased by approximately HK$54.7 million from approximately HK$126.9 million in 2002 to approximately HK$72.2 million in 2003 as a result of the exclusion of expenses of approximately HK$24.2 million incurred by the Disposed Subsidiaries and the decrease in provision for bad and doubtful debts of approximately HK$16.8 million.

Profit from operations

The Group recorded a profit from operations of approximately HK$33.0 million for 2003 compared to that of approximately HK$74.6 million for 2002. The decline was mainly attributable to two factors. Firstly, included in the profit from operations for 2002 was a gain on disposal of Vite Limited of approximately HK$25.5 million. No such gain was recorded for 2003. Secondly, the Group recorded a provision for impairment loss of approximately HK$13.4 million in respect of plant and machinery in 2003.

Finance costs

Finance costs reduced dramatically by approximately HK$9.3 million or 72.9% in 2003 as the Group was able to take advantage of the ongoing reduction in interest rates, improved treasury management, and the exclusion of interest costs for 2002 amounting to approximately HK$4.7 million incurred by the Shanghai joint venture which was disposed of in 2002.

Taxation

Taxation was calculated at 17.5% of the estimated assessable profit derived in Hong Kong and at the tax rate prevailing in other jurisdictions in the respective jurisdiction.

The effective tax rate increased from 24.9% in 2002 to 33.0% in 2003 mainly because of the increase in tax rate from the 2003 year of assessment and the non-deductibility for tax purpose of the impairment loss recognized in respect of plant and machinery which amounted to approximately HK$13.4 million.

Net profit attributable to shareholders

The decrease in profit from operations in 2003 was partly compensated by a savings on finance cost of approximately HK$9.3 million and increase in share of results of associates of approximately HK$1.3 million. Overall, the Group recorded a profit attributable to shareholders of approximately HK$22.5 million for 2003.

Analysis on financial condition

Gearing ratio

Gearing ratio, which is calculated by dividing consolidated bank borrowings and finance lease payables by equity, improved from approximately 46.7% as at 31 December, 2001 to approximately 28.1% as at 31 December, 2002 and to approximately 23.8% as at 31 December, 2003. The improvement was mainly attributable to the management's effort in improving cash flow by divesting non-core business and speeding up collection of trade receivables etc and using the cash flow generated to reduce bank borrowings.

Inventory turnover days, debtors' turnover days and creditors' turnover days

The inventory turnover days, which are based on the closing balances of inventory as at the balance sheet dates of, and the cost of sales for, the respective periods, of the Group for the three years ended 31 December, 2003 were approximately 82 days, 82 days and 100 days respectively. The relatively higher inventory turnover days for 2003 was due to the comparatively higher level of paper kept at the end of 2003 for the production of large order of export sales in the beginning of 2004.

The debtors' turnover days, which are based on the closing balances of trade receivables as at the balance sheet date of, and the turnover for, the respective periods, of the Group for the three years ended 31 December, 2003 were approximately 83 days, 74 days and 121 days respectively.

The debtors' turnover days for 2001 and 2002 remained relatively stable. For 2003, the debtors' turnover days increased to approximately 121 days mainly because of three reasons. Firstly, in 2002, the Group disposed of the Disposed Subsidiaries, all of which have shorter debtors' turnover days compared to the other subsidiaries of the Company. Accordingly, the debtors' turnover days of the Group (not including the Disposed Subsidiaries) for 2003 was higher than those for the previous two years. In addition, the outbreak of the Iraq War and the Severe Respiratory Syndrome during 2003, which had adverse impact on the economic conditions, also delayed the settlement by certain customers. Finally, in 2003, the Group has extended the credit term for some reputable and stable customers by 15 to 60 days.

The creditors' turnover days, which are based on the closing balances of trade payables as at the balance sheet date of, and the purchases for, the respective periods, of the Group for the three years ended 31 December, 2003 remained stable between 83 days to 97 days, which was in line with the credit period offered by the suppliers.

DISTRIBUTABLE RESERVES

The Company had reserves of approximately HK$305,093,000 available for distribution to the Shareholders as at 31 December, 2003 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

FOREIGN CURRENCY EXPOSURE AND HEDGING POLICY

Approximately 42.7% and 48.4% of the sales of the Group were denominated in USD and RMB respectively for the year ended 31 December, 2003. Approximately 32.8%, 49.7% and 14.3% of the purchases of the Group were denominated in US$, RMB and HK$ respectively for the year ended 31 December, 2003. The Directors consider that the Group is not exposed to significant exchange rate risk and hence no formal hedging policy has been adopted.

TAXATION

The Group is subject to Hong Kong Profits Tax and PRC enterprise income tax for the three years ended 31 December, 2003. The statutory Hong Kong Profits Tax rate was 16%, 16% and 17.5% for the year ended 31 December, 2001, 2002 and 2003 respectively. Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdiction.

The following tax rates are applicable to the principal subsidiaries of the Group in other jurisdictions for the three years ended 31 December, 2003:

	2001	**2002**	**2003**
SNP Leefung Printers (Shenzhen) Co., Ltd. ("SNP Leefung (Shenzhen)")	15%	15%	15%
Shenzhen SNP Leefung Printers Co., Ltd. ("Shenzhen SNP Leefung")	7.5%	15%	15%
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. ("SNP Leefung Dongguan")	–	12%	12%
Shanghai Fang Yin Leefung – Asco Printing and Packing Co., Ltd. ("Shanghai Fang Yin")	13.5%	27% *(Note a)*	27% *(Note a)*

Note a: During 2002, the Group disposed of its 26% equity interest in Shanghai Fang Yin and Shanghai Fang Yin became the associate of the Group thereafter.

SNP Leefung (Shenzhen) and Shenzhen SNP Leefung are exempted from income tax in the first two profitable years and are subject to half of the standard tax rate of 15% in the next three years. The first profitable year for SNP Leefung (Shenzhen) and Shenzhen SNP Leefung was 1996 and 1997, respectively. SNP Leefung Dongguan are exempted from income tax in the first two profitable years and are subject to half of the standard tax rate of 24% in the next three years. The first profitable year for SNP Leefung Dongguan was 2000.

Shanghai Fang Yin is exempted from income tax in the first two profitable years and is subject to half of the standard tax rate of 27% in the next six years. The first profitable year for Shanghai Fang Yin was 1994.

The Directors confirmed that as at the Latest Practicable Date, the Group had made all the required tax filings in the relevant jurisdiction and paid all outstanding tax liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 30 June, 2004, the Group had net current assets of approximately HK$267.8 million. The current assets mainly comprised inventories of approximately HK$128.2 million, trade receivables of approximately HK$246.3 million, prepayments, deposits and other receivables of approximately HK$38.0 million and bank and cash balances of approximately HK$84.2 million. The current liabilities mainly comprised trade and bills payables of approximately HK$121.0 million, other payables and accruals of approximately HK$65.6 million, tax payable of approximately HK$9.0 million, amount due to associates of approximately HK$13.3 million and short term bank borrowings of approximately HK$20.0 million.

Cash flows

For each of the three years ended 31 December, 2001, 2002 and 2003, the Group recorded strong net cash inflow from its operations, being approximately HK$100.4 million, HK$90.6 million and HK$75.6 million, respectively. Such cash inflows coupled with funds raised from new bank loans of approximately HK$291.7 million and issue of new shares of approximately HK$161.7 million have been primarily used to finance the Group's purchase of property, plant and equipment of approximately HK$195.2 million and repayment of bank loans of approximately HK$500.9 million. The Group's capital expenditures for each of the three years ended 31 December, 2001, 2002 and 2003 were approximately HK$80.5 million, HK$61.9 million and HK$52.8 million, respectively. The Group has maintained healthy level of cash balance in the past three years. In particular, the amount of cash and cash equivalent held by the Group as at 31 December, 2001, 2002 and 2003 were approximately HK$78.7 million, HK$94.6 million and HK$80.8 million, respectively.

Financial resources

The Group has historically relied on cash flows generated from operations, bank borrowings and proceeds from issue of new shares for its capital expenditures and other capital requirement.

The Group expects to meet its anticipated cash needs, including the payment of the consideration of the Acquisition, operating lease commitment, repayment of bank borrowings and working capital, primarily through the cash generated from its operations and raising of new bank borrowings.

Capital commitments

As at 30 June, 2004, the Group had capital commitments contracted but not provided for in respect of the Acquisition of S$88 million (equivalent to approximately HK$404.1 million) and in respect of acquisition of plant and machinery of approximately HK$41.8 million.

Working capital

The Directors are satisfied after due and careful enquiry that the Group has available sufficient working capital for the Group's present requirements, that is for at least the next 12 months from the date of publication of this circular.

PROPERTY INTERESTS

As at the Latest Practicable Date, the Group had the following owned and leased properties, details of which are also set out in Appendix VI to this circular:

Properties owned in Hong Kong

As at the Latest Practicable Date, the Group owned (a) 10th Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong with a total gross floor area of approximately 1,481.42 sq.m. partly for office purposes and partly for investment purposes; and (b) Workshop Units 3, 4 and 5, 12th Floor, Hong Kong Worsted Mills Industrial Building, Nos. 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong with a total gross floor area of approximately 1,438.32 sq.m. being used by the Group as a warehouse.

Properties leased in Hong Kong

As at the Latest Practicable Date, the Group leased from independent third parties (a) Flat 2G and Car Parking Space No. 60, Mandarin Villa, 10 Shiu Fai Terrace, Hong Kong with a gross floor area of approximately 121 sq.m.; and (b) Apartment D on 2nd Floor of Block 5 and a car parking space located at The Mount Austin, 8 Mount Austin Road, Hong Kong with a gross floor area of approximately 1,103 sq.ft., both as staff quarters.

Properties owned in the PRC

As at the Latest Practicable Date, the Group owned (a) various units in Hua Lian Garden, Nanshan Avenue, Nanshan District, Shenzhen, the PRC with a total gross floor area of approximately 2,250.39 sq.m. being used by the Group as staff quarters; (b) various units in Yu Kang Garden, Nanshan Avenue, Nanshan District, Shenzhen, The PRC with a total gross floor area of approximately 943.4 sq.m. being used by the Group as staff quarters; (c) Unit 9E, Neptunes Mansion, Chuangye Road, Nanshan District, Shenzhen, The PRC with a total gross floor area of approximately 83.41 sq.m. being used by the Group as staff quarters; (d) a parcel of land, various buildings and structures located at Neihuan Road, Nanshan District, Shenzhen, the PRC with a total gross floor area of 33,899.4 sq.m. for production, warehouse and ancillary office purposes; and (e) two parcels of land, various buildings and structures located at Jinju Administrative Zone, Dalingshan Town, Dongguan City, Guangdong Province, the PRC with a total gross floor area of approximately 58,100.97 sq.m. for production, warehouse and ancillary office purposes.

Save and except 8 buildings referred to in property nos. 7 and 8 in Appendix VI to this circular, the Group has obtained all the relevant land use right certificates, building ownership certificates and realty title certificates for all its owned property interests in the PRC.

With respect to one of such buildings referred to in property no. 7 in Appendix VI to this circular which is a warehouse, the Group is now applying for the relevant realty title certificate and it is expected that such certificate will be obtained by the Group by September 2004. The relevant PRC legal advisers to the Company have confirmed that there is no legal impediment for the Group to obtain such certificate.

With respect to another two buildings referred to in property no. 7 in Appendix VI to this circular which are dangerous goods warehouse and guard room, the Directors have confirmed that the Group does not intend to apply for the relevant realty title certificates as such buildings are not material to the business of the Group.

Regarding the remaining 5 buildings referred to in property no. 8 in Appendix VI to this circular which are workshop, boiler room, warehouse, generation room and staff quarters, the relevant PRC legal advisers to the Company have advised that the Group shall apply for the construction work planning permit and complete the construction completion inspection and fire safety inspection before it can apply for the relevant realty title certificates of such buildings. The Directors have confirmed that the Group is in the process of applying the construction work planning permits and arranging the construction completion inspection with respect to the workshop, warehouse and staff quarters mentioned above and it is expected that such permits and inspection will be obtained and completed by October 2004 and the relevant realty title certificates will be granted by the end of 2004. With respect to the generation room and boiler room, the Group has not applied for the relevant construction work planning permits or the realty title certificates or arrange the construction completion inspection. However, the Directors have confirmed that the Group will arrange the relevant applications as soon as practicable.

The relevant PRC legal advisers to the Company have confirmed that construction work planning permit should be applied for before the commencement of construction work and the construction completion inspection should be completed before the occupation and use of the relevant buildings and it is not certain whether the relevant PRC government authority would still grant the relevant permits to the Group and conduct the relevant construction completion inspections after the completion of the relevant construction work and the occupation and use of the relevant buildings by the Group. As a result thereof, the Group's PRC legal adviser is unable to confirm that there is no legal impediment for the Group in obtaining such realty title certificates.

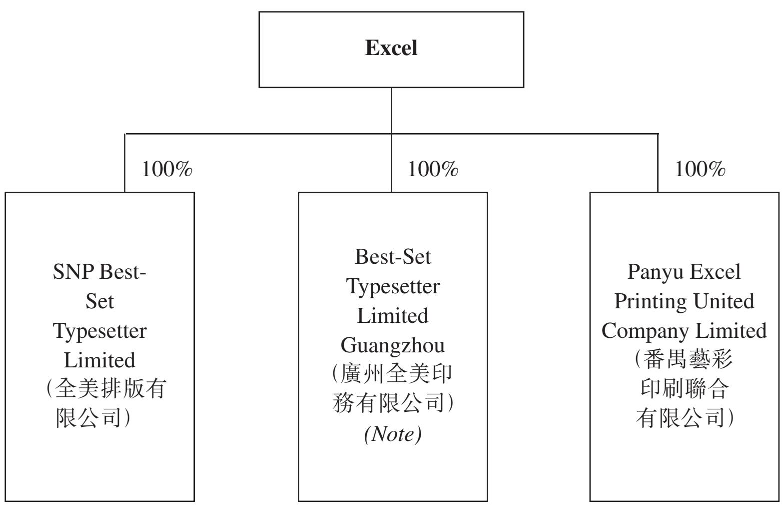
The Directors confirm that the 8 buildings mentioned above on which the relevant realty title certificates have not been obtained are not material to the business of the Group.

BACKGROUND OF THE ACQUIRED COMPANIES

Excel

Excel was incorporated in 1989 to engage in the printing of children books in a small factory in Hong Kong. In 1994, the Excel Group expanded its production facilities by setting up a factory in Guangzhou, the PRC and another factory in Panyu, the PRC. With the setting up of the two factories in the PRC, the Excel Group gradually closed down its factory in Hong Kong. At present, the Excel Group maintains its head office and a warehouse in Hong Kong and all production processes are carried out in the factories in the PRC.

Excel currently operates a printing factory located in Panyu, the PRC through a wholly-owned subsidiary, Panyu Excel Printing United Company Limited which is principally engaged in the production of children books such as pop-up, touch-and-feel, novelty and board books. In addition, it has another wholly owned subsidiary namely SNP Best-Set Typesetter Limited which is incorporated in Hong Kong, and a co-operative joint venture namely Best-Set Typesetter Limited Guangzhou formed in Guangzhou, the PRC.



Note: Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) is a co-operative joint venture established by Excel and 廣州市海珠區穗港藝彩制版彩印廠 (Guangzhou Municipal Haizhu District Suigang Yicai Typesetting and Color Printing Factory (the "PRC Party"), being an independent third party. The entire amount of the total investment and the registered capital of Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) was contributed by Excel. According to the articles of Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司), the PRC Party is entitled to a fixed income of RMB13,200 per month which will be adjusted upward by 10% for each of the subsequent years commencing from 1995 on a compounded basis and Excel is entitled to receive the remaining profit of the joint venture after deducting the fixed income mentioned above.

In September 2001, SNP Corporation acquired 60% equity interest of Excel from the then shareholders of Excel for a cash consideration of HK$57 million. In October 2003, SNP Corporation further acquired the remaining 40% of the share capital of Excel from the then shareholders of Excel for a cash consideration of HK$84 million.

SPrint

SPrint was incorporated in Thailand in 1993. It operates a factory in Chanthaburi, a province located at approximately 300 km south-east of Bangkok in Thailand. The Directors believe that SPrint is one of the few major worldwide players in the niche market of children pop-up books.

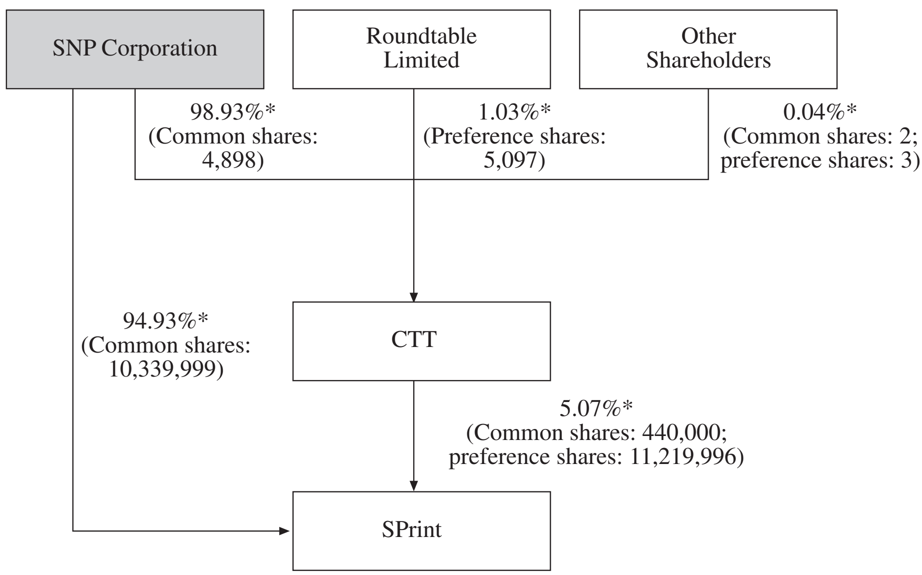
SPrint was established by Mr. Freddie Wong, Mr. Tan Jin Yan and Mr. Pornthep Samatiyadekul for the purpose of producing children's pop-up and push-up books. SPrint commenced operations in 1993.

With the construction of the assembly factory in Chantaburi in 1994, SPrint's operations continued to expand and has a present workforce of approximately 1,200 workers.

SPrint was granted two certificates for Investment Promotion Privileges. The first one was in respect of full exemption from corporate income tax on net income from August 1994 to July 2002 and a 50% tax privilege from August 2002 to July 2007 in relation to goods produced from the first 2 sets of printing machines installed in the factory in February 1998. The second one was in respect of full exemption from corporate income tax on net income from June 2001 to May 2009 and a 50% tax privilege from June 2009 to May 2014 in relation to goods produced from the other 2 sets of printing machines installed in the factory in December 2000 and May 2001. The 50% tax privilege entitles SPrint to be taxed at half of the prevailing corporate rate of 30%.

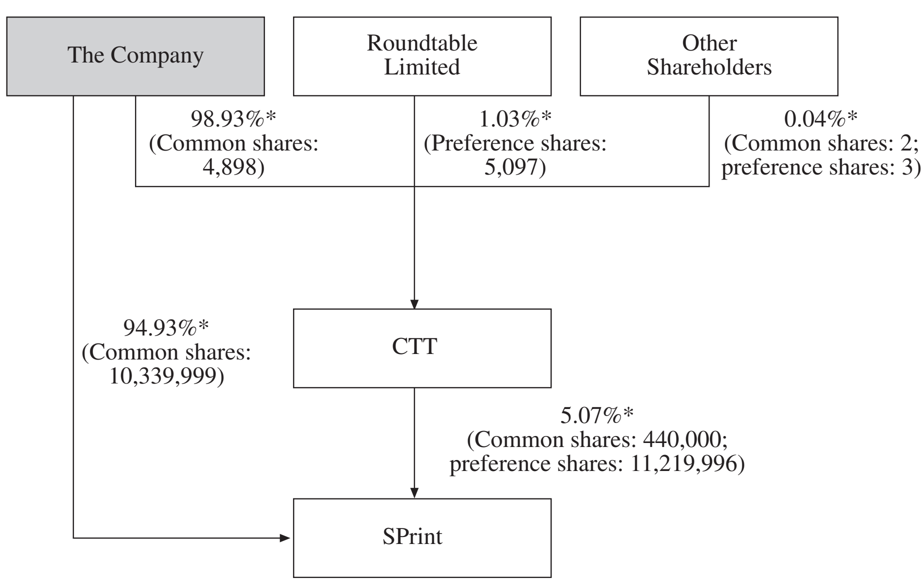
In 1999, SNP Corporation first acquired approximately 87% of the voting share capital of SPrint through the acquisition of approximately 82.06% of the voting share capital of SPrint and approximately 98.93% of the voting share capital of CTT which at that time held approximately 4.94% of the voting share capital of SPrint. In May 2002, SNP Corporation further acquired another approximate 13% of the voting share capital of SPrint and simultaneously transferred approximately 0.13% of the voting share capital of SPrint to CTT. The following charts set out the shareholding structure of SPrint as at the Latest Practicable Date and immediately after completion of the Acquisition:

Shareholding structure of SPrint as at the Latest Practicable Date



* *Represent interest in issued voting share capital.*

Shareholding structure of SPrint immediately after completion of the Acquisition



* *Represent interest in issued voting share capital.*

Note: Under the laws of the Kingdom of Thailand, a Thai company owning or intending to own real property must be given Thai nationality. In order for this to occur, not less than 51% of the issued share capital of a Thai company must be owned by Thai nationals. In order for SNP Corporation to maintain a voting controlling interest over SPrint and yet have SPrint maintain a Thai identity, the current shareholding structure was adopted whereby SNP Corporation holds approximately 47% of the entire issued share capital of SPrint. In this regard, the issued share capital of SPrint is held as to 11,219,996 preference shares and 440,000 common shares (representing approximately 51% and 2% of the entire issued share capital of SPrint respectively) by CTT and 10,339,999 common shares (representing approximately 47% of the entire issued share capital of SPrint) by SNP Corporation. CTT is held as to 5,097 preference shares (representing approximately 51% of the entire issued share capital of CTT) by Roundtable Limited and 4,898 common shares (representing approximately 49% of the entire issued share capital of CTT) by SNP Corporation. Through this shareholding structure, SNP Corporation directly and indirectly through CTT holds approximately 99.95% of the voting capital of SPrint. The legal advisers to the Company on Thai law has opined that this structure whereby the voting rights in SPrint are controlled by SNP Corporation directly and indirectly through CTT and the issued share capital is majority controlled by Thai nationals does not breach on violate any statute, law or regulations of Thailand.

CTT

CTT was incorporated in Thailand in 1999 as an investment holding company. Its principal asset is the holding of 440,000 common shares and 11,219,996 preference shares in SPrint, representing an effective interest of approximately 5.07% of the voting share capital of SPrint.

BUSINESS

Introduction

The Excel Group and SPrint are principally engaged in the production of pop-up and touch-and-feel books for children. They also produce a range of pop-up cards, specialty board books and other accessories. In addition, Excel also provides contract typesetting services, which accounted for less than 8% of its turnover. The customers of the Excel Group and SPrint are mainly in the United States and Europe. The Excel Group and SPrint aim at producing and delivering world class quality books and related products in an efficient and timely manner to meet the needs of the customers.

Operations

Production Flow

The production process of the Excel Group and SPrint is highly labor intensive. The production process can be broadly outlined as follows:

Preparation

1. Design assessment and preparation of the book is performed at the head office. At this stage the book is costed by reference to the required assembly time and the material requirements.

2. Die cutters (used to cut the shapes necessary for the "pop-ups") are manufactured either at the factory or are outsourced. These die cutters are made up of metal strips which are partly impregnated into plywood board to form the template cutter of the shapes.

3. Once the master copies of the book are prepared and approved, mass production is scheduled to commence.

Material

4. The paper is sheeted down from rolls in the warehouse located at the plant and is then forwarded to the printing department. Printing is done in-house.

5. The printed sheets are then transferred to the other plant for the die cutting and assembly processes. The assembly processes here are primary performed manually.

Assembly

6. Once printed and cut, the materials are moved to the next production process for gluing and binding. This process is performed manually.

Packing

7. The completed goods are then shipped to customers.

In some occasions when the Excel Group and SPrint are operating at full capacity, they may subcontract certain production jobs to the SNP Group or other parties. However, such incidences do not occur on a regular basis and the amount of subcontracting charges involved is not significant.

Production plants

Each of the Excel Group and SPrint has its own operating factories for the production of children books. The production plant of SPrint covers a land area of approximately 68,524 sq.m. and is located in Chantaburi, Thailand. SPrint obtained the right to use the piece of land where it now locates by way of a land lease agreement with Mr. Pornthep Samatiyadekul for a term of 30 years.

As for the Excel Group, it has two factories located in Guangzhou. The production plant located in Panyu District and Guangzhou City covers a land area of approximately 53,180 sq.m. and approximately 1,300 sq.m. respectively. Excel obtained the right to use these two pieces of land by way of two respective land lease agreements.

Equipment

Although the business nature of the Excel Group and SPrint is labour-intensive, the production of the products requires the use of some machinery and equipment, which are purchased from major suppliers. As such, each of the Excel Group and SPrint has made substantial investment in the purchase of advanced printing machinery, which is made up of a combination of 4 to 5 colours. As at 31 March, 2004, the aggregate purchase costs of the printing machinery held by the Excel Group and SPrint amounted to approximately HK$57.4 million and HK$28.5 million respectively. These machinery are mainly purchased from Japan and Germany. The average life span of this machinery ranges from 10 to 15 years.

As at the Latest Practicable Date, each of the Excel Group and SPrint has a total number of 9 and 4 sets of multi-color printing machines respectively.

Raw materials

The major raw material used by the Excel Group and SPrint in their production operations is paper. The Excel Group and SPrint also use some accessories such as sound modules or plush toys. Costs of papers accounted for approximately 71.4%, 74.0%, 63.3% and 66.0% of the total purchases of raw materials of the Excel Group and SPrint for each of the three years ended 31 December, 2003 and the three months ended 31 March, 2004 respectively.

The Excel Group has good management in storage of papers in good conditions and make full provision for the papers aged over 1 year. The management reviews the stock provision quarterly to access whether the inventory provision is adequate or excessive.

As compared to the Excel Group, the inventory turnover days were much longer than the Excel Group because SPrint imports papers from the U.S. for which delivery requires about 3 months whereas the Excel Group purchases papers in Hong Kong which has a much shorter delivery time.

Suppliers

The Excel Group mainly purchases raw materials from local suppliers whereas SPrint mainly purchases raw material from overseas suppliers. Purchases are payable upon receipt and examination of goods. Credit terms of between 30 to 120 days may be granted by the suppliers of the Excel Group and SPrint.

The purchases attributable to the largest supplier of the Excel Group and SPrint accounted for approximately 11%, 15%, 16% and 25% of the total purchases of the Excel Group and SPrint for the year ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March, 2004 respectively. The purchases attributable to the five largest suppliers of the Excel Group and SPrint accounted for approximately 36%, 36%, 39% and 48% of the total purchases of the Excel Group and SPrint for the year ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March, 2004 respectively.

The five largest suppliers of the Excel Group and SPrint for the Track Record Period are independent third parties. None of the Directors, their respective associates or any Shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital have any interest in the five largest suppliers of the Excel Group and SPrint for the Track Record Period.

Customers

For the Excel Group, the credit periods granted to customers vary from 30 to 150 days.

According to its policy, the Excel Group makes full provision for outstanding balances which are overdue by more than 150 days. In addition, specific provision may be made as considered appropriate by the management.

For SPrint, the credit periods granted to customers vary from 90 to 120 days.

SPrint does not have a general provisioning policy for debtors. Provision is made for debtors who the management considers to be in financial difficulties.

The turnover attributable to the largest customer of the Excel Group and SPrint accounted for approximately 15%, 12%, 8% and 10% of the total turnover of the Excel Group and SPrint for the year ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March, 2004 respectively. The turnover attributable to the five largest customers of the Excel Group and SPrint accounted for approximately 37%, 34%, 34% and 33% of the total turnover of the Excel Group and SPrint for the year ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March, 2004 respectively.

None of the Directors, their respective associates or any Shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital have any interest in the five largest customers of the Excel Group and SPrint for the Track Record Period.

Quality control

The business nature of the Excel Group and SPrint is highly labour intensive. As such, quality control is of great importance to the business growth. The Excel Group and SPrint have implemented a stringent quality control system pursuant to which experienced staff and supervisors will provide training on the work to be performed and closely monitoring the work performed by the staff. This is to heighten the quality control awareness of the staff and workers.

However, there was one material claim made by a customer of SPrint in relation to the production of pop-up books with plush railway toys in 2002 due to quality problem. As a result, approximately HK$1.1 million (equivalent to an approximate of Baht 5.872 million) was incurred to compensate to the customer and for repair works done prior to the rejection of the order by the customer.

Save as mentioned above, there is no significant material claims or return of goods made by customers of the Acquired Companies during the Track Record Period.

Sales and marketing

For the year ended 31 December, 2003, approximately 97% and 92% of the respective turnover of SPrint and the Excel Group derived from the production of children books.

A large part of the pop-up and touch-and-feel book market is situated in the U.S. and Europe. However, customers of the Excel Group and SPrint are mainly U.K.-based book publishers which are major players in the industry and supply the U.S. market. Most of their customers are household names such as Penguin Putnam, Publication International Limited and Disney Publishing Group.

Sales orders are secured by the sales teams of the Excel Group and SPrint who make frequent trips to visit customers. For promotional activities, the sales staff of the Excel Group and SPrint have attended various overseas trade book fairs such as Bologna Children's Fair, Frankfurt Book Fair and Book Expo America. In addition, sales agents in US and Europe have been appointed to represent the Excel Group and SPrint in getting sales orders. In early 2004, sales offices were set up in US, UK and France for the purpose of marketing the printing services of the Excel Group and SPrint overseas.

Sales are denominated in US dollars on credit terms of approximately 30-150 days. The customer base of SPrint and the Excel Group is represented by approximately 25-30 and 80-90 customers respectively.

Certificates, permits and licences

Save as disclosed below, the Company has confirmed that the Acquired Companies and their subsidiaries have obtained the necessary certificates, permits and licences for operating their current business and there is no other restrictions imposed by the relevant regulatory authorities. Details of such certificates, permits and licences are set out below:

Company Name	Certificates/ Permits/Licences	Issuing Authority	Issue Date	Expiry Date	Term
Panyu Excel Printing United Company Limited (番禺藝彩印刷聯合有限公司) *(Notes 1 and 2)*	Printing License	Press & Publishing Bureau of Guangdong Province (廣東省新聞出版局) *(Note 3)*	1/1/2004	31/12/2005	Publications and printed matters of packaging and decoration
Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) *(Notes 1 and 2)*	Printing License	Press & Publishing Bureau of Guangdong Province (廣東省新聞出版局) *(Note 3)*	30/3/2002	31/12/2005	Publishing specialization (typesetting and plate-making printing)

Notes:

1. With respect to 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou), the Directors confirmed that save and except for the period from 1 January, 2002 to 29 March, 2002, 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) have obtained all the relevant printing licenses during the Track Record Period. The Directors explained that both 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) failed to obtain any printing licenses for the above period as they were in the process of renewing their then printing licenses and the relevant renewed printing licenses were issued to 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) respectively on 30 March, 2002.

2. The relevant legal advisers to the Company on PRC laws have confirmed that pursuant to the relevant PRC laws and regulations, should 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) commence their respective printing businesses without obtaining the relevant printing licences, the relevant PRC government authority is entitled to confiscate the earnings made by the above companies during the relevant period and their principal printing machinery and equipment and to order such companies to terminate their business operations, and they may also be liable to a maximum penalty of less than 10 times of their respective revenue deriving from such businesses. Based on the confirmation of the Directors, the Excel Group has not received any notice from the relevant PRC government authority in relation to the absence of printing licences of the relevant PRC subsidiaries of the Excel Group for the period from 1 January, 2002 to 29 March, 2002 nor any warning from the relevant PRC government authority indicating that the above PRC companies had failed to obtain the relevant printing licenses during the abovementioned period when the renewed printing licenses were issued to the relevant companies on 30 March, 2002. The relevant legal advisers to the Company on PRC laws have confirmed that pursuant to《中華人民共和國行政處罰法》(Administrative Punishment Law of the People's Republic of China), the relevant PRC government authority will not impose any penalty or other punishment on any defaulting companies if a period of two years have already lapsed since the occurrence of the relevant defaulting acts and such acts have not been discovered by the relevant PRC government authority during such period. As the relevant defaulting acts occurred during the period from 1 January, 2002 to 29 March, 2002 and based on the Directors' confirmation mentioned above, the relevant legal advisers to the Company on PRC laws have confirmed that 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) will not be subject to the above penalty and punishment. The relevant legal advisers to the Company on PRC laws further confirmed that the explanation provided by the Directors above was reasonable and acceptable and the absence of printing licences for such period should not affect the validity and legality of the respective businesses carried out by 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou). The relevant legal advisers to the Company on PRC laws explained that the first specific regulations on foreign investment enterprises engaging in printing industry in the PRC, the Temporary Regulations, came into effect on 29 January, 2002, as a result thereof, all old printing licenses had to be renewed and new printing licenses had to be issued to foreign investment enterprises during such period, therefore it is reasonable to expect that the relevant PRC government authority would require a longer period to renew and issue printing licenses to foreign investment printing enterprises during such period which leads to the absence of printing licenses of 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) for the period from 1 January, 2002 to 29 March, 2002. As both 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) have been issued valid printing licenses since 30 March, 2002 and such licenses have also passed all the annual inspections conducted by the relevant PRC government authority, the relevant PRC legal advisers to the Company have confirmed that the legality of the businesses conducted by 番禺藝彩印刷聯合有限公司 (Panyu Excel Printing United Company Limited) and 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou) during the abovementioned period would not be affected.

3. The relevant lawyers to the Company on PRC laws have confirmed that Press & Publishing Bureau of Guangdong Province is the proper authority to issue the respective printing licenses to the relevant companies under the PRC laws and regulations.

Taxation

Both Panyu Excel Printing United Company Limited (番禺藝彩印刷聯合有限公司) and Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) have completed the relevant tax registration.

On the basis of the tax payment certificates issued by the relevant taxation authority, the Directors have confirmed that:

(i) Panyu Excel Printing United Company Limited (番禺藝彩印刷聯合有限公司) has no outstanding tax liabilities during the three years ended 31 December, 2003;

(ii) Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) paid an aggregate amount of enterprise income tax of RMB28,127.41, RMB12,605 and RMB59,913.88 respectively for the three years ended 31 December, 2003; and

(iii) Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) has no outstanding liabilities in respect of local tax for the three years ended 31 December, 2003.

As confirmed by Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司), it has paid all the taxes due and payable by it during the Track Record Period.

Environmental protection

As confirmed by the Directors, Panyu Excel Printing United Company Limited (番禺藝彩印刷聯合有限公司) has completed the environmental protection registration and has obtained the approval from the Environmental Protection Bureau of Panyu District of Guangzhou Municipality. As confirmed by Panyu Excel Printing United Company Limited (番禺藝彩印刷聯合有限公司), it has paid the discharge fees according to the relevant laws and regulations and it has not violated any environmental protection laws during the Track Record Period.

As confirmed by the Directors, Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) has not completed the relevant procedures concerning environmental protection approval and discharge registration. Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) has confirmed that its operations will not give rise to any pollution and it will complete the approval and registration procedures concerning environmental protection as soon as practicable. As confirmed by the PRC lawyers who have consulted the Environmental Protection Bureau of Guangzhou Municipality, Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) will unlikely face any legal obstacles in the process of completing the above-mentioned procedures.

In accordance with the relevant laws and regulations in the PRC, the environmental protection authority is entitled to order those enterprises which have not obtained environmental protection approval to rectify the situation within a specified period, or to suspend its construction works or operations, or the following fines may be imposed on such enterprises depending on the investment amount: (a) a fine of RMB5,000 to RMB20,000 shall be imposed on projects with an investment amount of less than RMB1,000,000; (b) a fine of RMB10,000 to RMB50,000 shall be imposed on projects with investment amounts ranging from RMB1,000,000 to RMB10,000,000; (c) a fine of RMB20,000 to RMB100,000 shall be imposed on projects with investment amounts ranging from RMB10,000,000 to RMB100,000,000; (d) a fine of RMB50,000 to RMB200,000 shall be imposed on projects with an investment amount of more than RMB100,000,000. A fine of RMB300 to RMB3,000 shall be imposed on those enterprises which have not applied for registration of waste discharge and such enterprises may be ordered to complete the discharge application and registration procedures within a specified period.

As confirmed by Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司), it has not been penalized by the relevant authorities in the PRC or received any notices to rectify within a specified period during the Track Record Period. The PRC lawyers confirmed that Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) has passed all the annual comprehensive examinations, and accordingly take the view that it is unlikely that Best-Set Typesetter Limited Guangzhou (廣州全美印務有限公司) will be penalized in this regard.

SNP Corporation has given indemnities to the Group that in the event that the Group incurs and/or suffers any losses, costs, expenses, claims or damages as a result of the Acquired Companies and their subsidiaries' failure to (i) obtain the relevant certificates, permits and licences to carry on their businesses or (ii) pay the relevant taxes to the relevant tax authority in the PRC in respect of the period prior to completion, SNP Corporation will indemnify and at all times keep the Group effectively indemnified against all losses, costs, expenses, claims or damages that the Group would incur as a result thereof. Furthermore, SNP Corporation has undertaken to indemnify and at all times keep the Group indemnified against all costs and expenses arising from the relocation of the businesses and assets of the Acquired Companies and their subsidiaries from their current place of business as a result of the above mentioned failures.

Competition

The Directors believe that the Excel Group and SPrint are major suppliers of novelty pop-up and touch-and-feel books worldwide because of their leading skills in paper engineering and their focused service in delivering quality products on time. However, the Directors believe that the Excel Group and SPrint may face competition from other manufacturers of pop-up books and such competition will remain in the near future.

Intellectual property

As at the Latest Practicable Date, the Acquired Companies and their subsidiaries did not have any trade marks, patents or other intellectual or industrial property rights which were material in relation to the business of the Acquired Companies and their subsidiaries.

Litigation

As at the Latest Practicable Date, the Excel Group was not involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Excel Group.

As at the Latest Practicable Date, SPrint was not involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against SPrint.

As at the Latest Practicable Date, CTT was not involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against CTT.

Management discussion and analysis of results and financial condition of Excel and SPrint

Excel

Results for the financial year ended 31 December, 2001

Turnover

For the year ended 31 December, 2001, the Excel Group's turnover amounted to approximately HK$324.3 million which was mainly derived from the printing of children books.

Gross profit

Gross profit of the Excel Group for the year ended 31 December, 2001 was approximately HK$81.7 million, representing a gross profit margin of approximately 25.2%.

Other operating income

Other operating income for the year was approximately HK$1.6 million, which mainly represented interest income of approximately HK$0.3 million and sundry income of approximately HK$1.2 million including recovery of bad debts written off of HK$0.2 million.

Selling and distribution costs

Selling and distribution costs for the year amounted to approximately HK$50.6 million. Selling and distribution costs mainly consisted of bad debts provision of approximately HK$10.0 million, staff salaries and benefits of approximately HK$8.4 million, packaging expenses of approximately HK$8.5 million, and transportation and distribution costs of approximately HK$7.7 million and sales commission of approximately HK$7.4 million.

Administrative expenses

Administrative expenses for the year amounted to approximately HK$13.2 million, which mainly comprised staff salaries and benefits of HK$6.2 million and depreciation of HK$0.9 million.

Profit from operations

The Excel Group recorded a profit from operations of approximately HK$19.4 million for the year ended 31 December, 2001.

Finance costs

Finance costs for the year of approximately HK$5.6 million mainly represented the bank charges and interest expenses on bank loans and bank overdrafts for financing the operations of the Excel Group.

Taxation

Taxation was calculated at 16% of the estimated assessable profit derived in Hong Kong and at the applicable tax rate of 27% on the estimated assessable income of the subsidiaries operating in the PRC. As such, the Group's overall effective tax rate generally falls within the range from 16% to 27%.

The Group has written off approximately HK$1.2 million other receivables which were non-deductible and has recognized an under-provision in prior years of profits tax of approximately HK$0.7 million, which led to the effective tax rate of 24.2%.

Net profit attributable to shareholders

The Excel Group recorded a net profit attributable to shareholders of approximately HK$9.5 million.

Results for the financial year ended 31 December, 2002

Turnover

Turnover for the Excel Group for the year ended 31 December, 2002 amounted to approximately HK$423.3 million, representing an increase of approximately HK$99.0 million or approximately 30.5% as compared with prior year. Such increase was mainly due to expansion of the facilities for the production of children books. The strong market recovery in 2002 after the September 2001 terrorism incident in the United States also led to increase in orders.

Gross profit

Gross profit margin of the Excel Group increased from approximately 25.2% for the year ended 31 December, 2001 to approximately 32.8% for the year ended 31 December, 2002.

The improvement in gross profit margin was partly attributable to better cost control measures implemented since SNP Corporation became the controlling shareholder of Excel in September 2001. Such control measures include (i) centralizing the purchases of raw materials for the purpose of making bulk purchases at better terms; and (ii) implementing stringent control over the usage of paper with the view of minimizing wastage. In addition, as a result of the expansion in its production facilities since early 2002, the Excel Group reduced its reliance on subcontractors during 2002, thus improving the overall gross profit margin.

Other operating income

Other operating income for the year was approximately HK$5.0 million, representing an increase of approximately HK$3.4 million or approximately 216.5% as compared to prior year. The increase was mainly due to the management's effort in controlling cost by reselling waste paper and used plates in 2002, generating income of approximately HK$1.2 million. Also, the appreciation of British pounds during the year resulted in an unrealized exchange gain of approximately HK$2.5 million.

Selling and distribution costs

Selling and distribution costs for the year amounted to approximately HK$59.0 million, representing an increase of approximately HK$8.4 million from prior year. However, as a percentage to sales, the ratio decreased from approximately 15.6% for 2001 to approximately 13.9% for 2002. Taking out the provision for bad and doubtful debts for approximately HK$10.0 million and HK$7.0 million for 2001 and 2002 respectively, the selling and distribution expenses for 2001 and 2002 were approximately HK$40.6 million and HK$52.0 million, representing an increase of approximately 28% which was in line with the increase in turnover.

The key components of selling and distribution costs included packing expenses of approximately HK$15.6 million, sales commission of approximately HK$10.0 million, staff salaries and benefits of approximately HK$9.5 million, and transportation and distribution costs of approximately HK$7.9 million.

Administrative expenses

Administrative expenses for the year amounted to approximately HK$13.9 million. There was no material variance from that of prior year. Administrative expenses mainly included staff salaries and benefits of approximately HK$7.2 million, management fee of approximately HK$1.7 million which started to be charged by SNP Corporation from January 2002.

Profit from operations

The Excel Group recorded a profit from operations of approximately HK$70.9 million for 2002 compared to that of approximately HK$19.4 million in 2001. The main reason was mainly due to the increase in sales, the improvement of gross profit margin and reduction of costs.

Taxation

Taxation was calculated at 16% of the estimated assessable profit derived in Hong Kong and at the applicable tax rate of 27% on the estimated assessable income of the subsidiaries operating in the PRC. As such, the Excel Group's overall effective tax rate generally falls within the range from 16% to 27%.

The decrease in the effective tax rate from 24.2% in 2001 to 14.1% in 2002 mainly because (i) there was a write-back of other receivables of approximately HK$0.5 million and a write-back of deferred expenses of approximately HK$0.5 million which were non-taxable and (ii) an overprovision in prior years of profits tax of approximately HK$1.0 million was recognized in 2002.

Finance costs

Finance costs decreased from approximately HK$5.6 million in 2001 to approximately HK$3.1 million in 2002 reflecting both the fall in interest rates due to re-financing of loans and the drop in net borrowings.

Net profit attributable to shareholders

The Excel Group recorded a net profit attributable to shareholders of approximately HK$58.3 million for the year ended 31 December, 2002. As compared to the net profit of approximately HK$9.5 million in the year ended 31 December, 2001, the increase was mainly due to the increase in sales and effective cost control and monitoring of the management.

Results for the financial year ended 31 December, 2003

Turnover

The turnover of the Excel Group amounted to approximately HK$355.8 million, representing a decrease of approximately HK$67.5 million or 15.9% as compared to that for the year ended 31 December, 2002. The decrease in the Excel Groups' turnover was principally due to Iraq War which affected customers based in the United State. The SARS outbreak also stopped overseas customers from visiting the plants in the PRC to "press check" the printing of their books which were under progress at the plants, thus delaying the orders for the printing of children books in 2003.

Gross profit

Gross profit margin of the Excel Group decreased from approximately 32.8% for the year ended 31 December, 2002 to approximately 28.2% for the year ended 31 December, 2003. Such deterioration was mainly due to the increase in overheads and the costs arising from the expansion of the plant facilities in the PRC during 2003.

Other operating income

Other operating income for the year was approximately HK$6.8 million, representing an increase of approximately 35.5% as compared to prior year. The amount included unrealized exchange gain of approximately HK$1.0 million as the appreciation of Euro continued in 2003 and recovery of bad debt written off of approximately HK$2.3 million due to the over-provision in prior year.

Selling and distribution costs

Selling and distribution expenses decreased from approximately HK$59.0 million for 2002 to approximately HK$45.2 million for 2003. However, as a percentage to sales, the ratio decreased from approximately 13.9% for 2002 to approximately 12.7% for 2003. Taking out the provision for bad and doubtful debts of approximately HK$7.0 million and HK$1.1 million for 2002 and 2003 respectively, the selling and distribution costs for 2002 and 2003 were approximately HK$52.0 million and HK$44.1 million, representing a drop of approximately 15.2% which was in line with the drop in turnover.

Administrative expenses

Administrative expenses increased from approximately HK$13.9 million in 2002 to HK$17.2 million in 2003 or 23.6% as a result of the management fee paid to SNP Corporation of approximately HK$4.4 million for reimbursement of provision of services relating to the setting up of computer, financial and human resources system and staff training.

Profit from operations

The Excel Group recorded a profit from operations of approximately HK$44.8 million for 2003 compared to that of approximately HK$70.9 million in 2002. The main reason was mainly due to the decrease in sales and the increase in staff costs for the newly set-up factories in the PRC.

Finance costs

Finance costs were approximately HK$2.2 million in 2003, down from approximately HK$3.1 million reflecting the Excel Group's effort in debt restructuring and treasury management such as using short term loan instead of costly financing instruments like overdraft and discount trade facilities, and taking advantage of falling interest rates.

Taxation

Taxation was calculated at 17.5% on the estimated assessable profit derived in Hong Kong and at the applicable tax rate of 27% on the estimated assessable income of the subsidiaries operating in the PRC. As such, the Group's overall effective tax rate generally falls within the range from 17.5% to 27%.

The effective tax rate increased from 14.1% in 2002 to 19.9% in 2003 was mainly due to (i) more profits were earned by the Excel Group's PRC subsidiaries which were subject to the applicable tax rate of 27% and (ii) there was an increase of Hong Kong Profits Tax rate from 16% to 17.5% with effect from the 2003/2004 year of assessment.

Net profit attributable to shareholders

The Excel Group reported a net profit of approximately HK$34.1 million for the year ended 31 December, 2003, representing a drop of approximately 41.4%. The deterioration in net profit was mainly attributable to the decrease in sales following the outbreak of SARS and the Iraq War during 2003 as mentioned above.

Results for the three months ended 31 March, 2004

Turnover

For the period ended 31 March, 2004, the Excel Group's turnover amounted to approximately HK$73.5 million which was mainly derived from the manufacturing of children books. Since the first quarter was the Excel Group's low season, the sales for the first quarter is considerably less than the average sales of 2003.

Gross profit

Gross profit of the Excel Group for the period ended 31 March, 2004 was approximately HK$18.2 million, representing a gross profit margin of approximately 24.8%. Lower gross profit margin in the first quarter compared to the full year 2003 of approximately 28.2% was largely due to the low season effect. The fixed costs in the cost of sales were proportionally higher in the first quarter.

Other operating income

Other operating income for the period was approximately HK$2.1 million, which mainly represented exchange gain of approximately HK$0.8 million and recovery of bad debt of approximately HK$0.8 million.

Selling and distribution costs

Selling and distribution costs for the period amounted to approximately HK$10.7 million. Selling and distribution costs mainly consisted of bad debts provision of approximately HK$0.6 million, staff salaries and benefits of approximately HK$2.6 million, packaging expenses of approximately HK$2.3 million, transportation and distribution costs of approximately HK$1.1 million and sales commission of approximately HK$1.9 million. The ratio of selling and distribution costs over turnover for the first quarter of approximately 14.6% was higher than the full year 2003 of approximately 12.7% because the staff salaries and benefits were fixed while sales were comparatively lower in the first quarter due to seasonality effect.

Administrative expenses

Administrative expenses for the period amounted to approximately HK$4.4 million, which was comparable to the pro-rated amount for 2003.

Profit from operations

The Excel Group recorded a profit from operations of approximately HK$5.2 million for the period ended 31 March, 2004, representing an operating margin of approximately 7.1%, which was lower than that for the full year of 2003. The reason for the comparatively lower operating margin was mainly due to the low level of sales for the first quarter.

Finance costs

Finance costs for the period of approximately HK$0.3 million mainly represented the bank charges and interest expenses on bank loans for financing the operations of the Excel Group. Finance costs continued to drop due to the management's effort in reducing bank borrowings.

Taxation

Taxation was calculated at 17.5% of the estimated assessable profit derived in Hong Kong and at the applicable tax rate of 27% on the estimated assessable income of the subsidiaries operating in the PRC.

Net profit attributable to shareholders

The Excel Group recorded a net profit attributable to shareholders of approximately HK$4.1 million for the period ended 31 March, 2004.

Amounts due from/to SNP Group and guarantees by SNP Corporation

As at 31 March, 2004, the amount due from SNP Corporation was approximately HK$63.2 million. The amount represented the advance to SNP Corporation for the purpose of SNP Group's treasury management. The interest rate of 1.97411% per annum charged on SNP Corporation for the advance is the same as the interest rate charged by the bank on the Excel Group.

As at 31 March, 2004, the amount due from subsidiaries of SNP Corporation was approximately HK$4.3 million and the amount due to subsidiaries of SNP Corporation was approximately HK$10.1 million.

The Directors confirmed that all the above amounts would be settled upon completion of the Acquisition.

As at 31 March, 2004, banking facilities of approximately HK$242 million granted to the Excel Group were guaranteed by SNP Corporation. The Directors confirmed that such corporate guarantees provided by SNP Corporation would be released upon completion of the Acquisition.

Analysis on financial condition of the Excel Group during the Track Record Period

Cash flows

For each of the three years ended 31 December, 2001, 2002 and 2003, the Excel Group recorded strong net cash inflow from its operations, being approximately HK$41.8 million, HK$45.7 million and HK$29.1 million, respectively. Such cash inflows coupled with funds raised from new bank loans have been primarily used to finance the Excel Group's purchase of property, plant and equipment, repayment of bank loans and advances to SNP Corporation. The Excel Group's capital expenditures for each of the three years ended 31 December, 2001, 2002 and 2003 were approximately HK$8.0 million, HK$17.5 million and HK$10.4 million, respectively. The Excel Group has maintained healthy level of cash balance in the past three years. In particular, the amount of cash and cash equivalent held by the Excel Group as at 31

December, 2001, 2002 and 2003 were approximately HK$17.9 million, HK$31.9 million and HK$39.5 million, respectively.

For the three months ended 31 March, 2004, the Excel Group recorded net cash inflow from its operations of approximately HK$19.3 million, which was mostly offset by the payment of Hong Kong profits tax of approximately HK$15.0 million. During the period, the Excel Group raised additional bank loans of approximately HK$25.9 million, which amount was mostly advanced to SNP Corporation for group treasury management purpose. As at 31 March, 2004, the Excel Group has healthy cash balance amounting to approximately HK$34.7 million.

Financial resources

The Excel Group has historically relied on cash flows generated from operations and bank borrowings for its capital expenditures and other capital requirement.

The Excel Group expects to meet its anticipated cash needs, including operating lease commitment, repayment of bank borrowings and working capital, primarily through the cash generated from its operations and raising of new bank borrowings.

Gearing ratio

Gearing ratio, which is calculated by dividing consolidated bank borrowings and finance lease payables by equity, improved from approximately 42.7% as at 31 December, 2001 to approximately 18.0% as at 31 December, 2002. The improvement was mainly attributable to the increase in equity as a result of retention of profits generated in 2002. Reduction in total bank borrowings and obligations under finance leases during 2002 also helped to improve the gearing ratio for the year.

Despite the increase in equity for 2003, gearing ratio as at 31 December, 2003 increased to approximately 25.0%. The deterioration in the gearing ratio was mainly attributable to the increase in bank borrowings during the year. The funds from the increase in bank borrowings were mostly advanced to SNP Corporation for group treasury management purpose.

Gearing ratio further increased from approximately 25.0% as at 31 December, 2003 to approximately 38.6% as at 31 March, 2004. The increase was due to the increase in bank borrowings of approximately HK$25.9 million, which was matched by an increase in the amount advanced to SNP Corporation of approximately HK$24.9 million.

As at the Latest Practicable Date, all amounts due to the Excel Group by SNP Corporation have been repaid and the funds thereof were mostly utilised for repayment of bank borrowings.

Inventory turnover days, debtors' turnover days and creditors' turnover days

The inventory turnover days, which are based on the closing balances of inventory as at the balance sheet dates of, and the cost of sales for, the respective periods, of the Excel Group throughout the Track Record Period remained stable at around 50 days to 55 days. In particular, for the three years ended 31 December, 2003 and the three months ended 31 March, 2004, the inventory turnover days of the Excel Group were approximately 50 days, 55 days, 50 days and 51 days respectively.

The debtors' turnover days, which are based on the closing balances of trade receivables as at the balance sheet date of, and the turnover for, the respective periods, of the Excel Group throughout the Track Record Period were between 80 days to 90 days except for 2003. In particular, for the three years ended 31 December, 2003 and the three months ended 31 March, 2004, the debtors' turnover days of the Excel Group were approximately 83 days, 86 days, 109 days and 90 days respectively. The relatively high debtors' turnover days for 2003 was mainly due to the significant sales made in the last quarter of 2003 which resulted in high debtors balance as at 31 December, 2003.

The creditors' turnover days, which are based on the closing balances of trade payables as at the balance sheet date of, and the purchases for, the respective periods, of the Excel Group throughout the Track Record Period gradually decreased from 72 days to 42 days. In particular, for the three years ended 31 December, 2003 and the three months ended 31 March, 2004, the creditors' turnover days of the Excel Group were approximately 72 days, 55 days, 43 days and 42 days respectively. The shortening of the creditors' turnover days was mainly due to the improved cash position of the Excel Group, thus allowing it to make payment faster.

Net current assets

As at 30 June, 2004, the Excel Group had net current assets of approximately HK$97.3 million. The current assets mainly comprised inventories of approximately HK$53.1 million, trade receivables of approximately HK$114.2 million, prepayments, deposits and other receivables of approximately HK$56.9 million and bank and cash balances of approximately HK$16.5 million. The current liabilities mainly comprised trade and bills payables of approximately HK$48.4 million, other payables and accruals of approximately HK$30.3 million, obligation under finance lease of approximately HK$1.7 million and short term bank borrowings of approximately HK$63.0 million.

Capital structure

As at 30 June, 2004, the Excel Group had net tangible assets of approximately HK$189.2 million comprising non-current assets of approximately HK$99.9 million (comprising property, plant and equipment of approximately HK$99.7 million, other investment of approximately HK$0.2 million), net current assets of approximately HK$97.3 million and non-current liabilities of approximately HK$8.0 million (comprising mainly of deferred tax liabilities of approximately HK$6.2 million and obligation under finance lease of approximately HK$1.8 million).

Capital commitments

As at 30 June, 2004, the Excel Group had no material capital commitments.

Working capital

The Directors are satisfied after due and careful enquiry that the Excel Group has available sufficient working capital for the Excel Group's present requirements, that is for at least the next 12 months from the date of publication of this circular.

SPrint

Results for the financial year ended 31 December, 2001

Turnover

For the year ended 31 December, 2001, the turnover of SPrint of approximately HK$109.3 million was mainly derived from the production of children's books.

Gross profit

Gross profit of SPrint for the year ended 31 December, 2001 was approximately HK$20.6 million, representing a gross profit margin of approximately 18.8%.

Other operating income

Other operating income for the year was approximately HK$5.1 million, which mainly represented the freight charges borne by customers of approximately HK$2.1 million, and exchange gain of approximately HK$1.7 million.

Selling and distribution costs

Selling and distribution costs for the year amounted to approximately HK$2.8 million, which mainly consisted of freight and insurance of approximately HK$1.4 million and courier charges of approximately HK$0.9 million.

Administrative expenses

Administrative expenses for the year amounted to approximately HK$11.0 million, which mainly comprised management fee paid to SNP Corporation of approximately HK$3.7 million, operating expenses for overseas marketing office of approximately HK$2.6 million, and staff salaries and benefits of approximately HK$2.3 million.

Profit from operations

SPrint recorded a profit from operations of approximately HK$11.8 million for the year ended 31 December, 2001.

Finance costs

Finance costs for the year of approximately HK$2.3 million mainly represented bank charges and interest expenses on bank loans and bank overdrafts for financing the operations of SPrint, and interest expenses on the finance leases.

Taxation

Taxation represented the corporate income tax calculated at the rate of 30% prevailing in Thailand. The effective tax rate for 2001 was only 0.2% since all income except interest income was exempted from corporate income tax.

SPrint was granted certain rights and privileges as a promoted industry under the Promotion of Investment Act of (B.E. 2520) 1997 of Thailand, and got exempted from corporate income tax on net profit for a period of eight years from August 1994 to July 2002.

SPrint has also obtained a permission to deduct taxable income at 5% of the increased turnover over the previous year, derived from exports for 10 years from 3 August, 1994, provided that such turnover from export is not less than the turnover from export averaged over the previous three year period, except for the first two years. Shareholders of SPrint was exempted from tax on dividend received from its promoted activities during the period in which SPrint is granted exemption from corporate income tax.

Net profit attributable to shareholders

SPrint recorded a net profit attributable to shareholders of approximately HK$9.5 million.

Results for the financial year ended 31 December, 2002

Turnover

Turnover for SPrint for the year ended 31 December, 2002 amounted to approximately HK$98.0 million, representing a decrease of approximately HK$11.3 million or 10.4% as compared with prior year. Such decrease was mainly due to a reduction in sales orders amounting to approximately HK$8.3 million from a major client.

Gross profit

Gross profit margin for SPrint decreased from approximately 18.8% for the year ended 31 December, 2001 to approximately 8.3% for the year ended 31 December, 2002.

The deterioration in gross profit margin was due to the decrease in sales together with the increase in costs resulting from the lower productivity and higher incidences of mistakes caused by the inexperienced and lower-skilled workers. More overtime costs was incurred and more raw materials were used for the additional remedial work for the rejected products. Apart from the inefficiencies of the newly recruited workers, SPrint had not experienced any interruptions in business.

Other operating income

Other operating income for the year was approximately HK$1.8 million, representing a decrease of approximately HK$3.3 million or 64.2% as compared to prior year. The decrease was mainly due to the decrease in freight charges borne by its customers from approximately HK$2.1 million for 2001 to approximately HK$1.0 million for 2002 as a result of decrease in sales and less transportation and distribution requests from its customers. The net export insurance advance decreased as well by approximately 38.8% in 2002 as compared to 2001.

Selling and distribution costs

Selling and distribution costs for the year amounted to approximately HK$4.2 million, representing an increase of approximately HK$1.3 million or 46.9% from prior year. Such increase was the result of additional bad debts provision of approximately HK$0.6 million being made on a prudent basis as the management tightened the credit control.

Administrative expenses

Administrative expenses decreased from approximately HK$11.0 million in 2001 to approximately HK$9.3 million in 2002 or 15.5%. The decrease was mainly due to the closure of the overseas marketing office in the US in mid-2002 which cut down the costs of approximately HK$1.3 million. Also, the management fee paid to SNP Corporation decreased by approximately HK$1.9 million as compared to prior year due to the poor financial performance for the year.

Loss from operations

SPrint recorded a loss from operations of approximately HK$3.5 million for 2002 compared to a profit of approximately HK$11.8 million for 2001. The loss was attributable to the decrease in sales and increase in costs resulting from the additional costs incurred by the inexperienced and lower-skilled workers.

Finance costs

Finance costs were approximately HK$2.1 million. There was no material variance from that of prior year. Finance costs mainly included bank charges and interest expenses on bank loans and bank overdrafts for financing the operations of SPrint, and interest expenses on the finance leases.

Taxation

Taxation represented the corporate income tax calculated at the rate of 30% prevailing in Thailand.

SPrint was not subject to profits tax in 2002 as it incurred a loss for that year.

Also, SPrint was granted certain rights and privileges as a promoted industry under the Promotion of Investment Act of (B.E. 2520) 1997 of Thailand, and got reduction for net income of 50% of the corporate income tax rate from August 2002 to July 2007.

Net loss attributable to shareholders

SPrint recorded a net loss attributable to shareholders of approximately HK$5.6 million for the year ended 31 December, 2002. As compared to the net profit of approximately HK$9.5 million for the year ended 31 December, 2001, the decrease was mainly attributable to the decrease in sales and increase in costs caused by ineffective cost management.

Results for the financial year ended 31 December, 2003

Turnover

The turnover of SPrint amounted to approximately HK$108.9 million, representing an increase of approximately HK$10.9 million or 11.1% as compared to that for the year ended 31 December, 2002. The increase in SPrint's turnover was mainly attributable to the successful effort of the sales team in securing orders from new customers.

Gross profit

Gross profit margin of SPrint increased from approximately 8.3% for the year ended 31 December, 2002 to approximately 21.8% for the year ended 31 December, 2003. Such improvement was mainly derived from the streamlining of work processes and workflow and structured pre-planning of work processes to reduce areas of bottleneck and semi-automation of work processes, which in turn reduced the possibility of human errors and improved the level of productivity. Closer supervision over the work processes also reduced defective work overtime which resulted savings in direct wages cost and subcontractor costs of approximately HK$10.4 million in aggregate as compared to 2002. Better management monitoring reduced material replacement costs as well. Also, there was a change in product mix with more sales of complicated books which commanded higher profit margins.

Other operating income

Other operating income for the year was approximately HK$2.9 million, representing an increase of approximately HK$1.0 million or 55.8% as compared to prior year. Due to the increase in sales in current year, the net export freight advance increased as well. More customers needed transportation and distribution services from SPrint which led to an increase in net export freight income from approximately HK$1.0 million for 2002 to approximately HK$1.5 million for 2003. Also, the management's effort in reselling waste papers generated income of approximately HK$1.3 million during the year.

Selling and distribution costs

Selling and distribution costs for the year amounted to approximately HK$5.3 million, representing an increase of approximately HK$1.2 million or approximately 27.5% as compared with prior year.

Administrative expenses

Administrative expenses for the year amounted to approximately HK$11.2 million, which increased by approximately HK$1.9 million or approximately 19.9% from prior year.

Profit from operations

SPrint recorded a profit from operations of approximately HK$10.1 million for 2003 compared to a loss of approximately HK$3.5 million for 2002. The turnaround was attributable to the increase in sales and effective cost control by the management.

Taxation

Taxation represented the corporate income tax calculated at the rate of 30% prevailing in Thailand.

The effective tax rate in 2003 was 6.3%. The low effective tax rate was due to the fact that part of the income of SPrint was fully exempt from tax whereas the remaining part of income was granted a reduction of 50% of corporate income tax.

Finance costs

Finance costs for the year amounted to approximately HK$1.1 million, representing a decrease of approximately HK$1.0 million or 48.6% from prior year. The decrease was due to better treasury management that resulted in interest savings of approximately HK$1.0 million. Also, the finance leases terminated in 2003 so SPrint no longer bore the interest costs.

Net profit attributable to shareholders

With the improvement in the results from operations and the reduction in finance costs, SPrint recorded a profit attributable to shareholders of approximately HK$8.5 million for 2003.

Results for the three months ended 31 March, 2004

Turnover

Turnover for the three months ended 31 March, 2004 amounted to approximately HK$24.1 million which was mainly derived from the production of children and pop-up books. The actual sales for the first quarter was lower than the average sales of 2003 as the first quarter was the low season of SPrint.

Gross profit

Gross profit for the three months ended 31 March, 2004 was approximately HK$4.1 million, representing a gross profit margin of approximately 16.8%.

The lower gross profit margin in the first quarter compared to the full year 2003 of approximately 21.8% was primarily resulted from the higher proportion of fixed production overheads over sales in the low season period.

Other operating income

Other operating income for the first quarter was approximately HK$0.7 million, which mainly represented scrap paper sales and freight charges borne by customers.

Selling and distribution costs

Selling and distribution costs for the three months ended 31 March, 2004 was approximately HK$1.3 million, representing a ratio to turnover of approximately 5.6%. Such ratio was comparable to the ratio for 2003.

Administrative expenses

Administrative expenses for the period was approximately HK$2.1 million which was slightly less than the average of 2003 due to the reduced exchange loss in the first quarter this year.

Profit from operations

SPrint recorded a profit from operations of approximately HK$1.3 million for the three months ended 31 March, 2004, representing an operating margin of approximately 5.4% which was lower than that of approximately 9.3% for 2003. The comparatively low margin was mainly due to the low volume of sales for the low season period.

Finance cost

Finance cost for the three months ended 31 March, 2004 was approximately HK$0.1 million which mainly represented interest expenses on bank loan and inter-company loan for financing the operation of SPrint.

Finance costs continued to drop because of the reduction in average bank borrowings.

Taxation

Taxation was calculated at 30% of the estimated assessable profit in Thailand.

The effective tax rate for the three months ended 31 March, 2004 was 6.7%. The low effective tax rate was primarily attributed to the tax relief granted on the chargeable income.

Net profit attributable to shareholders

SPrint recorded a net profit attributable to shareholders of approximately HK$1.1 million for the three months ended 31 March, 2004.

Amounts due from/to SNP Group and guarantees by SNP Corporation

As at 31 March, 2004, the amount due to SNP Corporation was approximately HK$9.5 million. The amounts due to subsidiaries of SNP Corporation were approximately HK$3,000. The Directors confirmed that all such amounts would be settled upon completion of the Acquisition.

As at 31 March, 2004, banking facilities of approximately HK$127 million granted to SPrint were guaranteed by SNP Corporation. The Directors confirmed that such corporate guarantees provided by SNP Corporation would be released upon completion of the Acquisition.

Analysis on financial condition of SPrint during the Track Record Period

Cash flows

For the year ended 31 December, 2001, SPrint recorded net cash outflow from its operations of approximately HK$7.6 million. The cash flow drain for the year was mainly due to the increase in trade and other receivables of approximately HK$16.5 million. The net cash outflow from operations and the capital expenditure for the year of approximately HK$4.4 million was financed by bank borrowings. For each of the two years ended 31 December, 2002 and 2003, SPrint recorded net cash inflow from operations of approximately HK$9.6 million and HK$27.7 million, respectively. Such cash inflow coupled with funds raised from new bank loans have been used to finance SPrint's capital expenditures and repayment of bank loans. SPrint's capital expenditures for each of the two years ended 31 December, 2002 and 2003 were approximately HK$0.9 million and HK$6.5 million, respectively. Cash and cash equivalents held by SPrint as at 31 December, 2001, 2002 and 2003 were approximately HK$1.3 million, HK$7.1 million and HK$9.4 million, respectively.

For the three months ended 31 March, 2004, SPrint recorded net cash inflow from its operations of approximately HK$1.2 million, which was mostly used for payment of purchase of plant and equipment. Cash balance as at 31 March, 2004 of approximately HK$9.3 million was approximately the same as that as at 31 December, 2003.

Financial resources

SPrint has historically relied on cash flows generated from operations and bank borrowings for its capital expenditures and other capital requirement.

SPrint expects to meet its anticipated cash needs, including operating lease commitment, repayment of bank borrowings and working capital, primarily through the cash generated from its operations and raising of new bank borrowings.

Gearing ratio

Gearing ratio, which is calculated by dividing consolidated bank borrowings and finance lease payables by equity, improved slightly from approximately 57.3% as at 31 December, 2001 to approximately 48.0% as at 31 December, 2002. The improvement was mainly attributable to the reduction in bank borrowings.

During 2003, SPrint made a substantial improvement in its gearing ratio, decreasing to approximately 16.4% as at 31 December, 2003. The improvement was mainly attributable to the reduction in bank borrowings as a result of the management's effort in implementing better treasury control such as speeding up collection of receivables and utilizing surplus cash to repay bank borrowings etc.

Gearing ratio as at 31 March, 2004 was approximately 16.6%, comparable to that as at 31 December, 2003.

Inventory turnover days, debtors' turnover days and creditors' turnover days

The inventory turnover days, which are based on the closing balances of inventory as at the balance sheet dates of, and the cost of sales for, the respective periods, of SPrint throughout the three years ended 31 December, 2003 remained stable at 147 days, 149 days and 152 days respectively. The inventory turnover days for the three months ended 31 March, 2004 increased slightly to 172 days. As the first quarter of each financial year is usually the low season, SPrint will not carry high level of paper at the end of each financial year. Therefore, inventory turnover calculated at year end dates are usually lower.

The debtors' turnover days, which are based on the closing balances of trade receivables as at the balance sheet date of, and the turnover for, the respective periods, of SPrint throughout the Track Record Period were between 170 days to 190 days except for 2003. In particular, for the three years ended 31 December, 2003 and the three months ended 31 March, 2004, the debtors' turnover days of SPrint were approximately 189 days, 175 days, 143 days and 172 days respectively. The lower debtors' turnover days for 2003 was mainly due to the management's effort in accelerating debt collections close to the end of 2003.

The creditors' turnover days, which are based on the closing balances of trade payables as at the balance sheet date of, and the purchases for, the respective periods, of SPrint throughout the Track Record Period gradually increased from 26 days to 69 days. In particular, for the three years ended 31 December, 2003 and the three months ended 31 March, 2004, the creditors' turnover days of SPrint were approximately 26 days, 36 days, 51 days and 69 days respectively. The lengthening of the creditors' turnover days was mainly attributable to the management's effort in negotiating for longer credit terms from its suppliers.

Net current assets

As at 30 June, 2004, SPrint had net current assets of approximately HK$50.5 million. The current assets comprised inventories of approximately HK$22.5 million, trade receivables of approximately HK$50.5 million, prepayments, deposits and other receivables of approximately HK$9.4 million and bank and cash balances of approximately HK$8.8 million. The current liabilities comprised trade and bills payables of approximately HK$7.2 million, other payables and accruals of approximately HK$7.0 million, short term bank borrowings of approximately HK$16.4 million, bank overdrafts of approximately HK$0.1 million, amount due to related companies of approximately HK$9.6 million and tax payable of approximately HK$0.4 million.

Capital structure

As at 30 June, 2004, SPrint had net tangible assets of approximately HK$74.6 million comprising non-current assets of approximately HK$27.0 million (comprising plant and machinery of approximately HK$16.1 million, buildings of approximately HK$9.3 million and other fixed assets of approximately HK$1.6 million), net current assets of approximately HK$50.5 million and non-current liabilities of approximately HK$2.9 million (comprising mainly of loans from holding company).

Capital commitments

As at 30 June, 2004, SPrint had no material capital commitments.

Working capital

The Directors are satisfied after due and careful enquiry that SPrint has available sufficient working capital for SPrint's present requirements, that is for at least the next 12 months from the date of publication of this circular.

CTT is an investment holding company with its principal asset being the holding of an effective interest of approximately 5.07% of the voting share capital of SPrint. Given the detailed discussion and analysis of the results of SPrint during the Track Record Period in this section of the circular, the Directors consider that separate discussion and analysis of the results and financial condition of CTT is not required.

DISTRIBUTABLE RESERVES

Excel, SPrint and CTT had reserves of approximately HK$169,109,000, HK$25,955,000 and nil respectively available for distribution to shareholders as at 31 March, 2004 (being the date to which the latest audited consolidated financial statements of Excel and the latest audited financial statements of SPrint and CTT were made up).

FOREIGN CURRENCY EXPOSURE AND HEDGING POLICY

Approximately 87% of the sales of the Excel Group were denominated in USD for the year ended 31 December 2003. As USD and HKD are pegged and the purchases of the Excel Group are mainly denominated in HKD and USD, the directors of Excel consider that the Excel Group is not exposed to significant exchange rate risk and hence no formal hedging policy has been adopted by the Excel Group.

Approximately 99% of the sales of SPrint were denominated in USD for the year ended 31 December 2003. The purchases of SPrint are mainly denominated in USD. No formal hedging policy has been adopted by SPrint as there is foreign exchange control in Thailand. The directors of SPrint confirmed that SPrint has not experienced any significant problem due to foreign exchange conversion during the Track Record Period.

TAXATION

The directors of the Acquired Companies confirmed that as at the Latest Practicable Date, the Acquired Companies had made all the required tax filings in the relevant jurisdiction and paid all outstanding tax liabilities.

PROPERTY INTERESTS

As at the Latest Practicable Date, the Excel Group, SPrint and CTT (the "Acquired Group") had the following owned and leased properties, details of which are also set out in Appendix VI to this circular:

Properties owned in Hong Kong

As at the Latest Practicable Date, the Acquired Group owned Units B, E and F, 6th Floor, Sunview Industrial Building, No. 3 On Yip Street, Chai Wan, Hong Kong with a total gross floor area of approximately 965.81 sq.m. for production and ancillary office purposes.

Properties leased in Hong Kong

As at the Latest Practicable Date, the Acquired Group leased from independent third parties (a) Unit A, 6th Floor, Sunview Industrial Building, No. 3 On Yip Street, Chai Wan, Hong Kong with a total gross floor area of approximately 299.15 sq.m. for production, warehouse and ancillary office purposes; (b) 25th Floor and Lorry Car Park Nos. 14 and 15 on the 1st Floor, Sino Favour Centre, 1 On Yip Street, Chai Wan, Hong Kong with a total gross floor area of approximately 1,015 sq.m. for warehouse, ancillary office, car parking and loading purposes; and (c) Workshop Nos. 4 and 11 together with the flat roof on 3rd Floor, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong with a total gross floor area of approximately 303 sq.m. for industrial and ancillary office purposes.

Properties owned in the PRC

As at the Latest Practicable Date, the Acquired Group owned a parcel of land, various buildings and structures located at Rongshuzi, Langbian Village, Shiji Town, Panyu City, Guangdong Province, the PRC with a total gross floor area of approximately 16,777.6 sq.m. for production, warehouse and ancillary office purposes.

Properties leased in the PRC

As at the Latest Practicable Date, the Acquired Group leased (a) four parcels of land and various buildings and structures located at Langwei Road, Xiaolong Village, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a total gross floor area of approximately 29,100 sq.m. for production, warehouse and ancillary office purposes; (b) an industrial building in Bangjiangdong Village, Shilian Road, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area of approximately 10,336 sq.m. for warehouse and dormitory purposes; (c) portions of a simple-structured warehouse, Warehouses Nos. 2 and 3 on daily basis and the 4th Floor of Warehouse No. 2 with a gross floor area of approximately 1,000 sq.m. on a monthly basis at Lianhuashan warehouses, Lianhuashan Port, Panyu District, Guangzhou City, Guangdong Province, the PRC for warehouse purposes; (d) 7 residential units located at Jiafu Garden, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a total gross floor area of approximately 1,198 sq.m. for residential purpose; (e) portion of a warehouse and dormitory building, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a total gross floor area of approximately 1,980 sq.m. for warehouse and dormitory purposes; (f) 46 dormitory units, Longji Road North, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a total gross floor area of approximately 1,500 sq.m. as staff quarters; (g) 2nd and 3rd Floors, No. 3 Da Song Gang, Jiang Nan Main Avenue, Guangzhou City, the PRC with a total gross floor area of approximately 1,300 sq.m. for industrial purpose; (h) a warehouse at Langbian Village, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a total gross floor area of approximately 720 sq.m. for warehouse purpose; (i) Unit 5D, Jinfu Court, Chengshi Garden, Shilian Road West, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area of approximately 74 sq.m. for residential purposes; (j) a factory building located at Xishe, Longbian Village, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area of approximately 4,293 sq.m. for storage purposes and (k) Unit 303, Block 4, Jinhaian, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC with a total gross floor area of approximately 105 sq.m. being used as staff quarters.

The tenancy agreements of all the Excel Group's rented properties mentioned in items (a) to (k) above are not registered with the relevant land and building administrative authority. Such tenancy agreements are not binding on third parties. The relevant government authority may order the parties to the relevant tenancy agreements to complete the registration procedure and impose a penalty. In respect of some of these tenancy agreements, the relevant legal advisers to the Company on PRC laws have been unable to verify that the respective landlords are the owners of the rented properties or have the right to lease the same. If the landlord's title is imperfect or he does not have the authority to grant the lease, the tenant may be evicted from the rented property. Some of the buildings occupied by the Excel Group may not have completed the construction work planning procedure and the fire safety and construction completion inspections. The relevant government authority may order completion of such procedures, demolition of the buildings or require ratification work to be carried out and impose a penalty.

The Directors have confirmed that all the rented property interests of the Excel Group mentioned in items (a) to (k) above are not crucial to the operation of the Excel Group and the Enlarged Group.

If the Excel Group is required to evict from any of the premises mentioned in items (a) to (k) above, the Directors believe that the Excel Group can always relocate to similar premises easily in view of the relatively abundant supply of production premises in Panyu and Guangzhou areas and the fact that the production premises currently leased by the Excel Group are premises for general production use and are without any special industrial requirement.

In this regard, SNP Corporation has given an indemnity to the Group that in the event that the Group incurs and suffers any losses, costs, expenses, claims or damages as a result of any defects of title or interests of the Excel Group's PRC property interest (the "Acquired Group's Properties"), the invalidity and/or the illegality of any of the agreements (the "Relevant Agreements") from which the relevant member of the Group ultimately derives its right to occupy or use the Acquired Group's Properties, the lack of or inadequate power and authority of the respective landlords of the Acquired Group's Properties to enter into or execute the Relevant Agreements, the lack of title or interests of the respective landlords in the Acquired Group's Properties and/or the failure to attend or complete the requisite legal formalities in relation to the Relevant Agreements, SNP Corporation will indemnify and at all times keep the Group effectively indemnified against all losses, costs, expenses, claims or damages (the "Total Costs") that the Group would incur as a result thereof provided always that the indemnity for Total Costs in respect of each of the Acquired Group's Properties shall not exceed the value of the particular property plus 10%. SNP Corporation has further undertaken to indemnify and at all times keep the Group effectively indemnified against all costs and expenses arising from the relocation of any member of the Acquired Companies' businesses and assets from the Acquired Group's Properties to any other properties which are comparable and substantially similar to the Acquired Group's Properties.

Properties leased in Thailand

As at the Latest Practicable Date, the Acquired Group leased a piece of land at 99 and 99/12 Moo 6 Patong Subdistrict, Soi Dao District, Chantaburi, 22180, Thailand with an approximate site area of 68,524 sq.m. and 5 buildings and various ancillary structures erected thereon. The property has a gross floor area of approximately 14,618 sq.m. The land use rights were leased to SPrint for a term of 30 years from 8 August, 2001. The Acquired Group currently uses the property for production, warehouse and ancillary office purposes.

The Acquired Group also leased a property at 3/F, St Louis Square, 149/1-10 Chan Road, Tung Wat Don, Sathorn, Bangkok 10120, Thailand. The property comprises 11 units on the 3rd floor of a commercial building. The property has a gross floor area of approximately 659 sq.m. The property is rented from an independent third party for a term of 4 years commencing 19 March, 2002 and expiring on 18 March, 2006 at a monthly rent of Baht 50,000 exclusive of management fees and outgoings.

1. AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated profit and loss accounts of the Group for each of the three years ended 31 December, 2001, 2002 and 2003, the audited consolidated balance sheets of the Group as at 31 December, 2001, 2002 and 2003 and the audited consolidated cash flow statements of the Group for each of the three years ended 31 December, 2001, 2002 and 2003 together with notes as extracted from the audited financial statements of the Group for the three years ended 31 December, 2001, 2002 and 2003 which are prepared in accordance with accounting principles generally accepted in Hong Kong.

Consolidated Income Statement

		Year ended 31 December,		
		2001	**2002**	**2003**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*4*			
Continuing operations		956,064	980,356	734,586
Discontinuing operation	*7*	63,038	41,463	–
		1,019,102	1,021,819	734,586
Cost of sales		(873,902)	(789,815)	(573,076)
Gross profit		145,200	232,004	161,510
Other operating income		6,180	3,091	4,235
Distribution costs		(35,638)	(40,634)	(46,886)
Administrative expenses		(154,497)	(126,906)	(72,217)
(Deficit) surplus on revaluation of investment properties		(10,840)	(15,334)	960
Loss on disposal of investment properties		–	–	(951)
Gain (loss) on disposal of property, plant and equipment		101	(3,965)	(268)
Amortisation of goodwill arising from the acquisition of subsidiaries		(355)	–	–
Impairment loss recognised in respect of plant and machinery	*6*	–	–	(13,370)
Impairment loss recognised in respect of goodwill		(2,638)	–	–
Gain on disposal of discontinuing operation	*7*	–	25,506	–
Gain on disposal of interests in subsidiaries		–	816	–
(Loss) profit from operations	*8*	(52,487)	74,578	33,013
Finance costs	*10*	(23,399)	(12,766)	(3,459)
Loss on disposal of an associate		(300)	–	–
Share of results of associates		(3,323)	3,526	4,849
Amortisation of goodwill arising from the acquisition of an associate		(290)	(403)	(403)

		Year ended 31 December,		
		2001	2002	2003
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit before tax				
Continuing operations		(72,923)	61,956	34,000
Discontinuing operation	7	(6,876)	2,979	–
		(79,799)	64,935	34,000
Income tax expenses	11			
Continuing operations		(8,340)	(15,771)	(11,220)
Discontinuing operation	7	553	(400)	–
		(7,787)	(16,171)	(11,220)
(Loss) profit after tax		(87,586)	48,764	22,780
Minority interests		(7,643)	(8,627)	(283)
Net (loss) profit attributable to shareholders		(95,229)	40,137	22,497
Dividends	12			
Interim		–	8,055	8,055
Proposed final		–	12,082	12,082
		–	20,137	20,137
(Loss) earnings per share	13			
Basic		(24.36) cents	9.97 cents	5.59 cents
Diluted		N/A	N/A	N/A

Consolidated Balance Sheet

	Notes	At 31 December, 2001 HK$'000 (restated)	2002 HK$'000 (restated)	2003 HK$'000
Non-current assets				
Investment properties	14	13,710	20,120	10,420
Property, plant and equipment	15	677,348	539,444	530,152
Interests in associates	17	52,656	80,180	81,386
		743,714	639,744	621,958
Current assets				
Inventories	18	127,642	96,734	111,538
Trade receivables	19	232,873	206,395	244,231
Prepayments, deposits and other receivables		46,871	94,839	35,910
Amount due from an associate		6,330	–	–
Tax recoverable		2,887	–	–
Pledged deposits		1,820	–	–
Bank balances and cash		89,407	95,371	80,760
		507,830	493,339	472,439
Current liabilities				
Trade and bills payables	20	105,210	113,496	106,130
Other payables and accruals		74,528	42,974	50,863
Tax liabilities		3,106	3,943	8,262
Amount due to SNP Group	32	–	–	1,545
Amounts due to associates	32	–	35,476	17,861
Bank borrowings – due within one year	21	315,444	57,102	47,000
		498,288	252,991	231,661
Net current assets		9,542	240,348	240,778
Total assets less current liabilities		753,256	880,092	862,736
Non-current liabilities				
Bank borrowings – due after one year	21	–	145,000	125,000
Deferred tax liabilities	25	12,280	11,981	13,605
		12,280	156,981	138,605
Minority interests		64,931	3,545	2,410
		676,045	719,566	721,721
Capital and reserves				
Share capital	22	40,274	40,273	40,273
Reserves		635,771	679,293	681,448
		676,045	719,566	721,721

Balance Sheet

		At 31 December,		
		2001	2002	2003
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Interests in subsidiaries	*16*	73,024	831,231	829,196
Current assets				
Prepayments, deposits and other receivables		801	508	565
Due from subsidiaries-non-trade		766,566	–	–
Bank balances and cash		87	32	60
		767,454	540	625
Current liabilities				
Other payables and accruals		2,083	320	529
Amount due to SNP Group	*32*	–	–	441
Amount due to subsidiaries-non-trade		164,593	–	–
Tax liabilities		35	35	35
Bank borrowings – due within one year	*21*	3	116	–
		166,714	471	1,005
Net current assets (liabilities)		600,740	69	(380)
Total assets less current liabilities		673,764	831,300	828,816
Non-current liabilities				
Amounts due to subsidiaries-non-trade	*26*	–	163,928	154,442
		673,764	667,372	674,374
Capital and reserves				
Share capital	*22*	40,274	40,273	40,273
Reserves	*24*	633,490	627,099	634,101
		673,764	667,372	674,374

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2003

	Share capital	Share premium account	Property revaluation reserve	Capital redemption reserve	Translation reserve	Reserve fund	Dividend reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (*Note*)	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January, 2002	40,274	326,499	11,923	2,514	(16,114)	8,101	–	302,848	676,045
Exchange realignments	–	–	–	–	3,281	–	–	–	3,281
Deficit on revaluation	–	–	(32)	–	–	–	–	–	(32)
Net (losses) gains not recognised in the income statement	–	–	(32)	–	3,281	–	–	–	3,249
Release on disposal of interests in a subsidiary	–	–	–	–	8,197	(4,881)	–	4,881	8,197
Repurchase of shares	(1)	(6)	–	1	–	–	–	(1)	(7)
Net profit for the year	–	–	–	–	–	–	–	40,137	40,137
Transfer from retained profits	–	–	–	–	–	1,849	–	(1,849)	–
Interim 2002 dividend paid	–	–	–	–	–	–	–	(8,055)	(8,055)
Proposed final 2002 dividend	–	–	–	–	–	–	12,082	(12,082)	–
At 31 December, 2002 and 1 January, 2003	40,273	326,493	11,891	2,515	(4,636)	5,069	12,082	325,879	719,566
Effect of change in tax rate and net losses not recognised in the income statement	–	–	(205)	–	–	–	–	–	(205)
Net profit for the year	–	–	–	–	–	–	–	22,497	22,497
Final 2002 dividend paid	–	–	–	–	–	–	(12,082)	–	(12,082)
Interim 2003 dividend paid	–	–	–	–	–	–	–	(8,055)	(8,055)
Proposed final 2003 dividend	–	–	–	–	–	–	12,082	(12,082)	–
At 31 December, 2003	40,273	326,493	11,686	2,515	(4,636)	5,069	12,082	328,239	721,721
Attributable to:									
The Company and subsidiaries	40,273	326,493	11,686	2,515	(4,636)	–	12,082	328,324	716,737
Associates	–	–	–	–	–	5,069	–	(85)	4,984
At 31 December, 2003	40,273	326,493	11,686	2,515	(4,636)	5,069	12,082	328,239	721,721
The Company and subsidiaries	40,273	326,493	11,891	2,515	(4,636)	–	12,082	327,573	716,191
Associates	–	–	–	–	–	5,069	–	(1,694)	3,375
At 31 December, 2002	40,273	326,493	11,891	2,515	(4,636)	5,069	12,082	325,879	719,566

Note: Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of a subsidiary of the Group established in the People's Republic of China has been transferred to a reserve fund which is restricted as to their use.

For the year ended 31 December, 2002

	Share capital HK$'000	Share premium account HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Reserve fund HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January, 2001									
– as previously stated	30,238	175,555	14,107	2,471	(16,114)	6,653	–	423,738	636,648
– adjustment on adoption of SSAP 12 (Revised)	–	–	(2,184)	–	–	–	–	–	(2,184)
At 1 January, 2001, as restated	30,238	175,555	11,923	2,471	(16,114)	6,653	–	423,738	634,464
Transfer from retained profits	–	–	–	–	–	1,448	–	(1,448)	–
Issue of shares	10,079	151,590	–	–	–	–	–	–	161,669
Repurchase of shares	(43)	(646)	–	43	–	–	–	(43)	(689)
Net loss for the year	–	–	–	–	–	–	–	(95,229)	(95,229)
Final 2000 dividend	–	–	–	–	–	–	–	(24,170)	(24,170)
At 31 December, 2001	40,274	326,499	11,923	2,514	(16,114)	8,101	–	302,848	676,045
Transfer from retained profits	–	–	–	–	–	1,849	–	(1,849)	–
Repurchase of shares	(1)	(6)	–	1	–	–	–	(1)	(7)
Release on disposal of interests in a subsidiary	–	–	–	–	8,197	(4,881)	–	4,881	8,197
Deficit of revaluation	–	–	(32)	–	–	–	–	–	(32)
Net profit for the year	–	–	–	–	–	–	–	40,137	40,137
Exchange realignments	–	–	–	–	3,281	–	–	–	3,281
Interim 2002 dividend paid	–	–	–	–	–	–	–	(8,055)	(8,055)
Proposed final 2002 dividend	–	–	–	–	–	–	12,082	(12,082)	–
At 31 December, 2002	40,273	326,493	11,891	2,515	(4,636)	5,069	12,082	325,879	719,566
Attributable to:									
The Company and subsidiaries	40,273	326,493	11,891	2,515	(4,636)	–	12,082	327,573	716,191
Associates	–	–	–	–	–	5,069	–	(1,694)	3,375
At 31 December, 2002	40,273	326,493	11,891	2,515	(4,636)	5,069	12,082	325,879	719,566
The Company and subsidiaries	40,274	326,499	11,923	2,514	(16,114)	8,101	–	307,934	681,131
Associates	–	–	–	–	–	–	–	(5,086)	(5,086)
At 31 December, 2001	40,274	326,499	11,923	2,514	(16,114)	8,101	–	302,848	676,045

Consolidated Cash Flow Statement

		Year ended 31 December,		
		2001	2002	2003
	Note	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
(Loss) profit from operations		(52,487)	74,578	33,013
Adjustments for:				
Deficit (surplus) on revaluation of investment properties		10,840	15,334	(960)
Depreciation and amortisation		59,136	61,105	45,617
Impairment loss recognised in respect of plant and machinery		–	–	13,370
Impairment loss recognised in respect of goodwill		2,638	–	–
Interest income		(1,261)	(962)	(848)
Amortisation of goodwill arising from the acquisition of subsidiaries		355	–	–
Loss on disposal of investment properties		–	–	951
(Gain) loss on disposal of property, plant and equipment		(101)	3,965	268
Gain on disposal of discontinuing operation		–	(25,506)	–
Gain on disposal of interests in subsidiaries		–	(816)	–
Operating cash flows before movements in working capital		19,120	127,698	91,411
Decrease (increase) in inventories		137,030	9,832	(14,804)
Decrease (increase) in trade receivables		9,653	(23,125)	(37,836)
Decrease (increase) in prepayments, deposits and other receivables		39,150	(58,263)	32,813
Decrease in amount due from an associate		–	6,330	–
(Decrease) increase in trade and bills payables		(41,834)	37,364	(7,366)
(Decrease) increase in other payables and accruals		(51,349)	(9,335)	7,889
Increase in amount due to SNP Group		–	–	1,545
Increase in amounts due to associates		–	11,717	6,144
Cash generated from operations		111,770	102,218	79,796
Hong Kong Profits Tax paid		(3,700)	–	(12)
Overseas taxes paid		(7,678)	(11,665)	(4,194)
NET CASH GENERATED FROM OPERATING ACTIVITIES		100,392	90,553	75,590
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(80,452)	(61,905)	(52,802)
Advances from (repayment to) an associate		4,048	23,759	(23,759)
Proceeds from disposal of interests in subsidiaries	*27*	–	7,022	26,116
Proceeds from disposal of investment properties		–	–	9,709
Proceeds from disposal of property, plant and equipment		11,677	8,026	2,839
Dividend received from an associate		–	–	1,964
Interest received		1,261	962	848
Decrease in pledged bank deposits		(1,820)	1,820	–
Increase in interest in an associate		(20,974)	(5)	–
NET CASH USED IN INVESTING ACTIVITIES		(86,260)	(20,321)	(35,085)

	Year ended 31 December, 2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Issue of shares	161,669	–	–
Repayment of bank loans	(228,888)	(215,652)	(56,338)
Dividend paid	(24,170)	(8,054)	(20,137)
Interest paid	(23,399)	(13,255)	(3,459)
Dividend paid to minority shareholders	(19,321)	(14,569)	(1,418)
New bank loans raised	68,390	196,338	27,000
Repurchase of shares	(689)	(7)	–
NET CASH USED IN FINANCING ACTIVITIES	(66,408)	(55,199)	(54,352)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(52,276)	15,033	(13,847)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	131,003	78,727	94,607
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	–	847	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	78,727	94,607	80,760
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	89,407	95,371	80,760
Bank overdrafts	(10,680)	(764)	–
	78,727	94,607	80,760

Notes to the Financial Statements

For the year ended 31 December, 2003

1. GENERAL

The Company was incorporated as an exempted company with limited liability in Bermuda on 3 June, 1991 under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Its ultimate holding company is Temasek Holdings (Pte) Ltd, a company incorporated in Singapore.

During the year, the Group was involved in the printing of books, magazines and packaging products.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (HKFRS) issued by the Hong Kong Society of Accountants (HKSA), the term of HKFRS, is inclusive of Statements of Standard Accounting Practice (SSAPs) and Interpretations approved by the HKSA.

SSAP 12 (Revised) Income Taxes

The Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the balance on the Group's property revaluation reserve at 1 January, 2002 have been decreased by HK$2,184,000, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties at that date. The adoption of SSAP 12 (Revised) has not had material effect on the results for the years ended 31 December, 2002 and 2003.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on the acquisition of an associate represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate and amortised on a straight-line basis over its estimated useful economic life of 5 years.

On disposal of an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Property, plant and equipment

Property, plant and equipment, other than plant and machinery under installation and factory buildings under construction, are stated at cost or valuation less accumulated depreciation and amortisation and impairment loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" from the requirement to make revaluation on a regular basis of the land and buildings of the Group which had been carried at revalued amounts prior to 30 September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation and amortisation are provided to write off the cost or valuation of assets, other than plant and machinery under installation and factory buildings under construction, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms, including the renewable period
Buildings	Shorter of the lease terms, including the renewable period, and 40 years.
Plant and machinery	$6^2/_3\%$ – 10%
Equipment, furniture and fixtures	20%
Motor vehicles	20%

Plant and machinery under installation and factory buildings under construction are stated at cost less any impairment losses, and are not depreciated. They are reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable rate of interest.

Dividend income is recognised when the shareholder's right to receive payment has been established.

Rental income is recognised on a straight-line basis over the relevant lease terms.

Leases

Rentals payable under operating leases are charged to income statement on a straight-line basis over the relevant lease terms.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefit costs

Payments to state managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, during the year.

An analysis of the Group's turnover is as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Printing of books and magazines	690,610	696,113	668,133
Printing of packaging products	265,454	284,243	66,453
	956,064	980,356	734,586
Discontinuing operation:			
Financial printing	63,038	41,463	–
	1,019,102	1,021,819	734,586

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions – printing of books and magazines and printing of packaging products. These divisions are the basis on which the Group reports its primary segment information.

In prior year, the Group was also involved in financial printing. That operation was discontinued since August 2002 *(note 7)*.

Intersegment sales are charged at prevailing market prices.

Segment information about these businesses is presented below:

For the year ended 31 December, 2001

	Continuing operations		Discontinuing operation			
	Printing of books and magazines	Printing of packaging products	Financial printing	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
External sales	690,610	265,454	63,038	–	–	1,019,102
Intersegment sales	8,107	11,377	–	–	(19,484)	–
Total	698,717	276,831	63,038	–	(19,484)	1,019,102
Segment results	1,260	(22,924)	(6,382)	–	–	(28,046)
Deficit arising on revaluation of investment properties						(10,840)
Amortisation of goodwill arising from the acquisition of subsidiaries	(355)	–	–	–	–	(355)
Impairment loss recognised in respect of goodwill	(2,638)	–	–	–	–	(2,638)
Unallocated corporate expenses						(10,608)
Loss from operating activities						(52,487)
Finance costs						(23,399)
Loss on disposal of an associate						(300)
Share of results of associates	(2,570)	–	–	(753)	–	(3,323)
Amortisation of goodwill arising from the acquisition of associates	(290)	–	–	–	–	(290)
Loss before tax						(79,799)
Income tax expenses						(7,787)
Loss before minority interests						(87,586)
Minority interests						(7,643)
Net loss from ordinary activities attributable to shareholders						(95,229)

	Continuing operations		Discontinuing operation	
	Printing of books and magazines	Printing of packaging products	Financial printing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December, 2001				
OTHER INFORMATION				
Capital addition	30,042	49,184	1,226	80,452
Depreciation	36,779	21,392	965	59,136
Amortisation of goodwill and impairment losses of goodwill	3,283	–	–	3,283
Other non-cash expenses	19,370	17,866	6,003	43,239
At 31 December, 2001				
BALANCE SHEET				
Assets				
Segment assets	630,024	339,576	13,183	982,783
Interests in associates	52,656	–	–	52,656
Unallocated corporate assets				216,105
Consolidated total assets				1,251,544
Liabilities				
Segment liabilities	138,889	28,110	9,995	176,994
Unallocated corporate liabilities				333,574
Consolidated total liabilities				510,568

For the year ended 31 December, 2002

	Continuing operations		Discontinuing operation			
	Printing of books and magazines	**Printing of packaging products**	**Financial printing**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
External sales	696,113	284,243	41,463	–	–	1,021,819
Inter-segment sales	1,213	5,387	–	–	(6,600)	–
Total	697,326	289,630	41,463	–	(6,600)	1,021,819
Result						
Segment result	70,997	15,129	2,988	–	–	89,114
Deficit on revaluation of investment properties						(15,334)
Gain on disposal of discontinuing operation	–	–	25,506	–	–	25,506
Gain on disposal of interests in subsidiaries	185	631	–	–	–	816
Unallocated corporate expenses						(25,524)
Profit from operations						74,578
Finance costs						(12,766)
Share of results of associates	3,590	–	–	(64)	–	3,526
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	–	–	(403)
Profit before tax						64,935
Income tax expenses						(16,171)
Profit after tax						48,764
Minority interests						(8,627)
Net profit attributable to shareholders						40,137

	Continuing operations		Discontinuing operation	
	Printing of books and magazines	Printing of packaging products	Financial printing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December, 2002				
OTHER INFORMATION				
Capital addition	27,883	33,272	750	61,905
Depreciation and amortisation	37,249	23,290	566	61,105
Loss on disposal of property, plant and equipment	1,696	2,233	36	3,965
At 31 December, 2002				
BALANCE SHEET				
Assets				
Segment assets	678,260	172,682	–	850,942
Interests in associates	55,645	24,535	–	80,180
Unallocated corporate assets				201,961
Consolidated total assets				1,133,083
Liabilities				
Segment liabilities	156,758	33,913	–	190,671
Unallocated corporate liabilities				219,301
Consolidated total liabilities				409,972

For the year ended 31 December, 2003

	Continuing operations			
	Printing of books and magazines	**Printing of packaging products**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
External sales	668,133	66,453	–	734,586
Inter-segment sales	–	6,128	(6,128)	–
Total	668,133	72,581	(6,128)	734,586
Result				
Segment result	89,433	(15,965)	–	73,468
Surplus on revaluation of investment properties				960
Loss on disposal of investment properties				(951)
Impairment loss recognised in respect of plant and machinery	–	(13,370)	–	(13,370)
Unallocated corporate expenses				(27,094)
Profit from operations				33,013
Finance costs				(3,459)
Share of results of associates	2,160	2,689	–	4,849
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	(403)
Profit before tax				34,000
Income tax expenses				(11,220)
Profit after tax				22,780
Minority interests				(283)
Net profit attributable to shareholders				22,497

	Printing of books and magazines *HK$'000*	Printing of packaging products *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December, 2003			
OTHER INFORMATION			
Capital addition	42,591	10,211	52,802
Depreciation and amortisation	38,821	6,796	45,617
Loss on disposal of property, plant and equipment	202	66	268
Impairment loss recognised in respect of plant and machinery	–	13,370	13,370
At 31 December, 2003			
BALANCE SHEET			
Assets			
Segment assets	696,472	131,184	827,656
Interests in associates	56,851	24,535	81,386
Unallocated corporate assets			185,355
Consolidated total assets			1,094,397
Liabilities			
Segment liabilities	159,133	15,634	174,767
Unallocated corporate liabilities			195,499
Consolidated total liabilities			370,266

(b) Geographical segments

The printing of books and magazines and packaging products divisions are located in the People's Republic of China ("PRC") and Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services.

	2001 *HK$'000*	**2002** *HK$'000*	**2003** *HK$'000*
Continuing operations:			
The PRC, excluding Hong Kong	577,622	567,221	359,502
Hong Kong	57,990	67,083	34,082
The United States of America	240,769	253,942	227,402
United Kingdom	41,749	71,045	60,430
Australia	14,274	13,394	44,364
Other areas	23,660	7,671	8,806
	956,064	980,356	734,586
Discontinuing operations:			
Hong Kong	63,038	41,463	–
	1,019,102	1,021,819	734,586

Revenue from the Group's discontinuing operation was derived principally from Hong Kong (2003: Nil, 2002: HK$41.5 million).

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PLANT AND MACHINERY

The Packaging Division in Dongguan has been incurred operating losses since 2001. In connection to this, the management of the Company conducted a detailed assessment of its plant and machinery and concluded that the recoverable amount of certain machinery were less than their carrying values due to obsolescence. Accordingly, an impairment loss of approximately HK$13.4 million has been recognised as an expense in the income statement. In the opinion of the directors, the recoverable amounts of these assets represent their net selling prices at the balance sheet date.

7. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS

On 2 August, 2002, the Company entered into a sales and purchase agreement with SNP Corporation Ltd, pursuant to which the Company procured to dispose of the entire interests in Vite Limited, a wholly-owned subsidiary of the Company, for a total consideration of HK$34.0 million, resulting in a gain on disposal amounting to approximately HK$25.5 million. For clarity purpose, SNP Corporation Ltd was not a shareholder of the Company at the date of disposal. The principal activity of Vite Limited is financial printing and the segmental information of the subsidiary has been presented in note 5. The transaction was duly completed on 8 August, 2002.

The results of the financial printing operations for the period from 1 January, 2002 to 8 August, 2002, which had been included in the consolidated financial statements for the year ended 31 December, 2002, were as follows:

	1.1.2002 to 8.8.2002 *HK$'000*
Turnover	41,463
Cost of sales	(31,827)
Gross profit	9,636
Other operating income	751
Distribution costs	(34)
Administrative expenses	(7,365)
Profit from operations	2,988
Finance costs	(9)
Profit before tax	2,979
Income tax expenses	(400)
Profit after tax	2,579

As at the date of disposal, the carrying amounts of the total assets and liabilities of the subsidiary disposed of were approximately HK$22.0 million and approximately HK$15.2 million, respectively. The net cash inflows (outflows) attributable to the operating, investing and financing activities of the discontinuing operation for the year ended 31 December, 2002 amounted to approximately HK$4.4 million, approximately HK$(0.7) million and approximately HK$(1.4) million, respectively.

8. (LOSS)/PROFIT FROM OPERATIONS

	The Group		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Profit from operations has been arrived at after charging:			
Staff costs, including directors' remuneration *(note 9)*:			
– Salaries, wages and other benefits	128,244	111,100	84,967
– Retirement benefit scheme contributions, net of forfeited contributions of HK$14,000 (2001: 156,000, 2002: HK$367,000)	3,266	3,369	4,616
Total staff costs	131,510	114,469	89,583
Auditors' remuneration	1,326	1,302	1,108
Allowance for bad and doubtful debts	43,239	22,196	–
Write-off of inventories	22,976	–	–
Allowance for inventories	13,556	–	–
Depreciation and amortisation	59,136	61,105	45,617
Exchange loss	1,771	–	–
Minimum lease payments under operating leases:			
– Plant and machinery	3,338	1,522	49
– Land and buildings	3,530	2,165	1,076
	6,868	3,687	1,125
and after crediting:			
Gross rental income	452	512	428
Less: outgoings	(22)	(30)	(41)
Net rental income	430	482	387
Interest income	1,261	962	848
Exchange gain, net	–	1,162	1,997

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Fees:			
Executive directors	–	–	232
Non-executive directors	402	360	427
	402	360	659
Other emoluments of executive directors:			
Salaries and other benefits	9,202	7,653	4,841
Retirement benefit scheme contributions	284	247	103
	9,486	7,900	4,944
Total directors' emoluments	9,888	8,260	5,603

Fees include HK$309,000 (2001: 342,000, 2002: HK$300,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil, 2002: Nil).

The emoluments of the directors were within the following bands:

	Number of directors		
	2001	**2002**	**2003**
Nil to HK$1,000,000	9	13	13
HK$1,000,001 to HK$1,500,000	2	1	1
HK$1,500,001 to HK$2,000,000	1	1	–
HK$2,000,001 to HK$2,500,000	2	1	1
	14	16	15

No director waived any emoluments in the year ended 31 December, 2003, 2002 and 2001.

(b) Employees' Emoluments

During the year, the five highest paid individuals included three directors (2001: four directors, 2002: four directors), details of whose emoluments are set out above. The emoluments of the remaining two (2001: one, 2002: one) highest paid individuals were as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	1,039	1,119	1,990
Retirement benefits schemes contributions	46	42	43
Performance related incentive payments	81	145	123
	1,166	1,306	2,156

Their emoluments were within the following bands:

	Number of employees		
	2001	**2002**	**2003**
HK$1,000,001 to HK$1,500,000	1	1	2

10. FINANCE COSTS

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	23,399	12,766	3,459

11. INCOME TAX EXPENSES

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
Hong Kong	–	400	3,555
Other jurisdictions	8,340	15,573	4,970
	8,340	15,973	8,525
Overprovision in the prior year	(748)	–	–
Deferred taxation *(note 25)*	195	–	1,419
Taxation attributable to the Company and its subsidiaries	7,787	15,973	9,944
Share of taxation attributable to associates	–	198	1,276
	7,787	16,171	11,220

Hong Kong Profits Tax is calculated at 17.5% (2001: 16%, 2002: 16%) of the estimated assessable profit for the year ended 31 December, 2003. The tax rate has been increased with effect from the 2003 year of assessment.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdiction.

The following tax rates are applicable to the principal subsidiaries of the Group in other jurisdictions for the three years ended 31 December, 2003:

	2001	2002	2003
SNP Leefung Printers (Shenzhen) Co., Ltd. ("SNP Leefung (Shenzhen)")	15%	15%	15%
Shenzhen SNP Leefung Printers Co., Ltd. ("Shenzhen SNP Leefung")	7.5%	15%	15%
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. ("SNP Leefung Dongguan")	–	12%	12%
Shanghai Fang Yin Leefung – Asco Printing and Packing Co., Ltd. ("Shanghai Fang Yin")	13.5%	27% *(Note a)*	27% *(Note a)*

Note a: During 2002, the Group disposed of its 26% equity interest in Shanghai Fang Yin and Shanghai Fang Yin became the associate of the Group thereafter.

SNP Leefung (Shenzhen) and Shenzhen SNP Leefung are exempted from income tax in the first two profitable years and are subject to half of the standard tax rate of 15% in the next three years. The first profitable year for SNP Leefung (Shenzhen) and Shenzhen SNP Leefung was 1996 and 1997, respectively. SNP Leefung Dongguan are exempted from income tax in the first two profitable years and are subject to half of the standard tax rate of 24% in the next three years. The first profitable year for SNP Leefung Dongguan was 2000.

Shanghai Fang Yin is exempted from income tax in the first two profitable years and is subject to half of the standard tax rate of 27% in the next six years. The first profitable year for Shanghai Fang Yin was 1994.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2001		2002		2003	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss) profit before tax	(79,799)		64,935		34,000	
Tax at Hong Kong Profits Tax rate of 17.5% (2001: 16%, 2002: 16%)	(12,768)	16.0	10,390	16.0	5,950	17.5
Overprovision in the prior year	(748)	0.9	–	–	–	–
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	7,787	(9.8)	1,142	1.7	2,364	7.0
Tax effect of different tax rates of the subsidiaries and associates operating in other jurisdictions	438	(0.5)	2,395	3.7	(308)	(0.9)
Tax effect of unrecognised deferred tax assets	13,078	(16.4)	2,244	3.5	2,295	6.7
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	–	–	–	–	919	2.7
Tax expense and effective tax rate for the year	7,787	(9.8)	16,171	24.9	11,220	33.0

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to equity *(see note 25)*.

12. DIVIDENDS

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Interim dividend paid: HK2 cents (2001: Nil, 2002: HK2 cents) per share	–	8,055	8,055
Final dividend proposed: HK3 cents (2001: Nil, 2002: HK3 cents) per share	–	12,082	12,082
	–	20,137	20,137

The final dividend of HK3 cents per share has been paid to shareholders on 7 April, 2004. This dividend is subject to approval by shareholders at the Annual General Meeting and has been included as a dividend reserve in these financial statements.

The proposed dividend for 2003 is payable to all shareholders on the Register of Members on 18 March, 2004.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders of HK$22,497,000 (2001: loss of HK$95,229,000, 2002: HK$40,137,000) and on the weighted average of 402,726,918 shares (2001: 390,976,272 shares; 2002: 402,736,288 shares) in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the current year.

Diluted earnings per share has not been presented for the year ended 31 December, 2001 and 2002 as the Company has no potential shares outstanding during that year.

14. INVESTMENT PROPERTIES

	The Group
	HK$'000
AT VALUATION	
At 1 January, 2003	20,120
Disposals	(10,660)
Surplus on revaluation	960
At 31 December, 2003	10,420

	The Group		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
The carrying amount of investment properties shown above comprises:			
Long leases in Hong Kong	4,010	9,460	10,420
Medium-term leases and land use rights in other parts of the PRC	9,700	10,660	–
	13,710	20,120	10,420

The Group's investment properties were revalued at their open market values at 31 December, 2003 by Sallmanns (Far East) Limited, independent professionally qualified valuers. The surplus arising on revaluation has been credited to the income statement.

The Group's investment properties of HK$3,270,000 (2001: 13,710,000, 2002: HK$13,630,000) are rented out under operating leases and the remainings are vacant.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Equipment, furniture and fixtures	Motor vehicles	Plant and machinery under installation and factory buildings under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group						
COST OR VALUATION						
At 1 January, 2001	341,659	533,916	50,155	22,108	11,712	959,550
Additions	695	21,999	5,655	1,380	50,723	80,452
Reclassification	–	31,195	639	–	(31,834)	–
Disposals	(4,125)	(8,630)	(5,812)	(2,616)	(2,329)	(23,512)
At 31 December, 2001	338,229	578,480	50,637	20,872	28,272	1,016,490
Comprising:						
At cost	219,216	578,480	50,637	20,872	28,272	897,477
At valuation						
– 31.3.1994	58,620	–	–	–	–	58,620
– 31.3.1995	7,393	–	–	–	–	7,393
– 31.3.1998	45,400	–	–	–	–	45,400
– 31.3.2000	7,600	–	–	–	–	7,600
	338,229	578,480	50,637	20,872	28,272	1,016,490
DEPRECIATION						
At 1 January, 2001	39,220	209,946	31,656	11,120	–	291,942
Provided for the year	7,019	41,942	7,179	2,996	–	59,136
Reclassification	(5,976)	3,369	1,176	1,431	–	–
Disposals	(589)	(4,943)	(4,258)	(2,146)	–	(11,936)
At 31 December, 2001	39,674	250,314	35,753	13,401	–	339,142
NET BOOK VALUES						
At 31 December, 2001	298,555	328,166	14,884	7,471	28,272	677,348
At 31 December, 2000	302,439	323,970	18,499	10,988	11,712	667,608

	Leasehold land and buildings *HK$'000*	Plant and machinery *HK$'000*	Equipment, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Plant and machinery under installation and factory buildings under construction *HK$'000*	Total *HK$'000*
The Group						
COST OR VALUATION:						
At 1 January, 2002	338,229	578,480	50,637	20,872	28,272	1,016,490
Additions	2,098	28,246	3,844	213	27,504	61,905
Reclassifications	(6,649)	37,922	945	346	(54,658)	(22,094)
Disposals	(78)	(27,582)	(7,264)	(4,025)	(38)	(38,987)
Disposal of interests in subsidiaries	(29,737)	(156,161)	(8,068)	(3,812)	–	(197,778)
Exchange realignments	2,177	2,931	259	121	42	5,530
At 31 December, 2002	306,040	463,836	40,353	13,715	1,122	825,066
Comprising:						
At cost	209,121	463,836	40,353	13,715	1,122	728,147
At valuation						
– 31.3.1994	58,620	–	–	–	–	58,620
– 31.3.1995	7,393	–	–	–	–	7,393
– 31.3.1998	30,906	–	–	–	–	30,906
	306,040	463,836	40,353	13,715	1,122	825,066
DEPRECIATION AND AMORTISATION:						
At 1 January, 2002	39,674	250,314	35,753	13,401	–	339,142
Provided for the year	6,951	45,985	5,541	2,628	–	61,105
Disposals	–	(18,786)	(5,295)	(2,915)	–	(26,996)
Disposal of interests in subsidiaries	(10,439)	(70,815)	(4,869)	(2,953)	–	(89,076)
Reclassifications	(318)	–	–	–	–	(318)
Exchange realignments	378	1,101	200	86	–	1,765
At 31 December, 2002	36,246	207,799	31,330	10,247	–	285,622
NET BOOK VALUES:						
At 31 December, 2002	269,794	256,037	9,023	3,468	1,122	539,444
At 31 December, 2001	298,555	328,166	14,884	7,471	28,272	677,348

	Leasehold land and buildings *HK$'000*	Plant and machinery *HK$'000*	Equipment, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Plant and machinery under installation and factory buildings under construction *HK$'000*	Total *HK$'000*
The Group						
COST OR VALUATION						
At 1 January, 2003	306,040	463,836	40,353	13,715	1,122	825,066
Additions	571	30,606	5,584	1,622	14,419	52,802
Reclassifications	4,150	9,176	1,191	300	(14,817)	–
Disposals	(3,305)	(1,036)	(4,427)	(1,692)	–	(10,460)
At 31 December, 2003	307,456	502,582	42,701	13,945	724	867,408
Comprising:						
At cost	210,537	502,582	42,701	13,945	724	770,489
At valuation – 31.3.1994	58,620	–	–	–	–	58,620
– 31.3.1995	7,393	–	–	–	–	7,393
– 31.3.1998	30,906	–	–	–	–	30,906
	307,456	502,582	42,701	13,945	724	867,408
DEPRECIATION AND AMORTISATION						
At 1 January, 2003	36,246	207,799	31,330	10,247	–	285,622
Provided for the year	6,058	34,442	3,350	1,767	–	45,617
Impairment loss *(note 6)*	–	13,370	–	–	–	13,370
Eliminated on disposals	(778)	(488)	(4,395)	(1,692)	–	(7,353)
At 31 December, 2003	41,526	255,123	30,285	10,322	–	337,256
NET BOOK VALUES						
At 31 December, 2003	265,930	247,459	12,416	3,623	724	530,152
At 31 December, 2002	269,794	256,037	9,023	3,468	1,122	539,444

	The Group		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
The carrying amount of leasehold land and buildings comprises:			
Long leases in Hong Kong	106,940	84,804	84,525
Medium-term leases in Hong Kong	9,120	8,898	8,675
Medium-term leases and land use rights in other parts of the PRC	182,495	176,092	172,730
	298,555	269,794	265,930

Certain of the Group's leasehold land and buildings were revalued at 31 March, 1994 and 1995 by Sallmanns (Far East) Limited, independent professionally qualified valuers on an open market value basis. Since 1995, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment", from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. Properties carried at 1998 valuations are properties which were reclassified from investment properties on the basis of the directors' valuation as at 31 March, 1998.

Had these land and buildings been carried at cost less accumulated depreciation and amortisation, their carrying values would have been approximately HK$252 million (2001: HK$285 million, 2002: HK$256 million).

16. INTERESTS IN SUBSIDIARIES

	The Company		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	73,024	73,024	73,024
Amounts due from subsidiaries	–	758,207	756,172
	73,024	831,231	829,196

Amounts due from subsidiaries are non-trade nature and unsecured. Except for an amount of approximately HK$120,146,000 (2002: HK$120,146,000) which bears interest at 3% (2002: 3%) per annum, the remaining balance is interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are accordingly classified as non-current.

Details of the Company's principal subsidiaries at 31 December, 2003 are set out in note 33.

17. INTERESTS IN ASSOCIATES

	The Group		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	50,977	78,904	80,513
Goodwill	1,679	1,276	873
	52,656	80,180	81,386

The movements in goodwill arising from the acquisition of associates are as follows:

	The Group
	HK$'000
COST:	
At 1 January, 2001	5,251
Arising on acquisition of additional interest in an associate	619
Eliminated on disposal of associates	(3,854)
At 31 December, 2001	2,016
AMORTISATION	
At 1 January, 2001	3,901
Charge for the year	290
Eliminated on disposal of associates	(3,854)
At 31 December, 2001	337
NET CARRYING AMOUNT	
At 31 December, 2000	1,350
At 31 December, 2001	1,679
COST:	
At 1 January, 2002 and 31 December, 2002	2,016
AMORTISATION	
At 1 January, 2002	337
Charge for the year	403
At 31 December, 2002	740
NET CARRYING AMOUNT	
At 31 December, 2001	1,679
At 31 December, 2002	1,276
COST	
At 1 January, 2003 and 31 December, 2003	2,016
AMORTISATION	
At 1 January, 2003	740
Charge for the year	403
At 31 December, 2003	1,143
NET CARRYING AMOUNT	
At 31 December, 2002	1,276
At 31 December, 2003	873

Details of the Group's associates at 31 December, 2003 are set out in note 33.

18. INVENTORIES

	The Group		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	88,990	80,332	92,238
Work in progress	30,639	15,620	17,626
Finished goods	8,013	782	1,674
	127,642	96,734	111,538

Included above are raw materials of HK$13,340,000 (2001: HK$50,455,000, 2002: HK$10,962,000) of the Group carried at net realisable value.

Up to May 2004, approximately 59.2% of the balance as at 31 March 2003 has been subsequently utilized.

19. TRADE RECEIVABLES

The Group allows different credit periods to its trade customers depending on the type of printing services provided. Credit periods vary from 90 to 180 days in accordance with the industry practice.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, and net of allowance, is as follows:

	The Group		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Within credit period	174,334	165,083	179,354
0 – 30 days	19,291	22,245	31,901
31 – 60 days	11,874	10,780	17,499
61 – 90 days	4,688	2,145	8,492
Over 90 days	22,686	6,142	6,985
	232,873	206,395	244,231

Up to May 2004, approximately 81.7% of the balance as at 31 March 2003 has been subsequently settled.

20. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	The Group		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	88,442	81,062	84,555
31 – 60 days	10,062	20,590	10,531
61 – 90 days	2,804	7,312	7,393
91 – 120 days	2,548	2,416	2,641
Over 120 days	1,354	2,116	1,010
	105,210	113,496	106,130

Up to May 2004, approximately 94.4% of the balance as at 31 December, 2003 has been subsequently settled.

21. BANK BORROWINGS

	The Group			The Company		
	2001	2002	2003	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unsecured bank overdrafts	10,680	764	–	3	116	–
Unsecured bank loans	284,810	201,338	172,000	–	–	–
Secured bank loans	19,954	–	–	–	–	–
	315,444	202,102	172,000	3	116	–

The above amounts bear interest at prevailing market rates and are repayable as follows:

	The Group			The Company		
	2001	2002	2003	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	315,444	57,102	47,000	3	116	–
In the second year	–	60,000	40,000	–	–	–
In the third to fifth years inclusive	–	85,000	85,000	–	–	–
	315,444	202,102	172,000	3	116	–
Less: Amount due for settlement within one year (shown under current liabilities)	(315,444)	(57,102)	(47,000)	(3)	(116)	–
Amount due for settlement after one year	–	145,000	125,000	–	–	–

At 31 December, 2001, the Group's borrowings were secured by the following assets of the Group:

(a) investment and other properties with carrying values of approximately HK$4 million and HK$186 million respectively:

(b) other plant and equipment with an aggregate book value of approximately HK$22 million; and

(c) bank deposits of approximately HK$2 million.

22. SHARE CAPITAL

	2001		2002		2003	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
		HK$'000		*HK$'000*		*HK$'000*
Ordinary shares of HK$0.10 each						
Authorised:						
At 1 January, and 31 December	500,000,000	50,000	500,000,000	50,000	500,000,000	50,000
Issued and fully paid:						
At 1 January	302,374,918	30,238	402,736,918	40,274	402,726,918	40,273
Issue of shares *(note a)*	100,792,000	10,079	–	–	–	–
Repurchase of shares during the year *(note b)*	(430,000)	(43)	(10,000)	(1)	–	–
At 31 December	402,736,918	40,274	402,726,918	40,273	402,726,918	40,273

Notes:

(a) Pursuant to the subscription agreement entered into between the Company and Smurfit International B.V. ("Smurfit") as explained in a circular issued by the Company to its shareholders on 9 January, 2001, Smurfit subscribed for a total of 100,792,000 new shares of the Company at a price of HK$1.65 per share. The subscription price represented approximately 5% premium to the closing price per share of HK$1.57 as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 December, 2000. The subscription shares represented approximately 33% of the then existing issued share capital of the Company or approximately 25% of the enlarged issued share capital of the Company after the subscription.

(b) During the year ended 31 December, 2001, the Company repurchased some of its own shares through the Stock Exchange as follows:

Month of repurchase	**No. of shares**	**Price per share Highest**	**Price per share Lowest**	**Consideration paid**
		HK$	*HK$*	*HK$'000*
March	180,000	1.62	1.60	290
April	250,000	1.60	1.59	399
	430,000			689

The shares were cancelled subsequent to the repurchase.

During the year ended 31 December, 2002, the Company repurchased a total of its 10,000 shares on the Stock Exchange, all of which have been cancelled, at a total consideration of approximately HK$7,200. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration in respect of the share repurchases was paid out of the retained profits of the Company. Further details of the repurchases are set out as follows:

Month	**Number of shares**	**Price per share Highest**	**Price per share Lowest**	**Total**
		HK$	*HK$*	*HK$'000*
December, 2002	10,000	0.72	0.72	7

In the opinion of the directors, the repurchases were in the best interests of the Company and its shareholders.

23. SHARE OPTIONS SCHEMES

(a) 2000 Scheme

A share option scheme (the "2000 Scheme") of the Company, which was adopted on 9 May, 2000 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations was terminated on 28 August, 2003.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2000 Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The maximum entitlement of each participant under the 2000 Scheme shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the 2000 Scheme. The exercise price shall be 80% of the average of the closing prices of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date the options are granted or the nominal value of the Company's shares, whichever is the higher.

No share option had been granted or exercised under the 2000 Scheme.

(b) 2003 Scheme

A new share option scheme (the "2003 Scheme") of the Company was adopted on 28 August, 2003 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations.

The Board of Directors of the Company may, at their discretion, grant options to the eligible participant including any employee, officer, director or consultant of the Group. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted under its 2003 Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 31 December, 2003, the number of shares of the Company in respect of which options had been granted and remained outstanding under the 2003 Scheme of the Company was 1,960,000, representing 0.49% of the shares of the Company in issue at that date.

The offer of a grant of share options may be accepted within 30 business days from the date of the offer, upon payment of a consideration by the offeree. The consideration for a grant of options of the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

Total consideration received during the year from a director and employees for taking up the options granted during the year is HK$17 (2002: Nil, 2001: Nil).

The exercise price of the share options is determined by the Board of Directors. The exercise price of the share options must be the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer; (ii) the average of the Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

The following table discloses details of the share options under 2003 Scheme held by a director and employees and movements in such holdings during the year:

		Number of share options			
	Date of grant	**Outstanding at 1.1.2003**	**Granted during the year**	**Outstanding at 31.12.2003**	**Exercise price per share**
					HK$
A director	9 October, 2003	–	450,000	450,000	1.45
Employees	9 October, 2003	–	1,510,000	1,510,000	1.45
		–	1,960,000	1,960,000	

The options granted during the year may be exercised in accordance with the terms of the relevant scheme as to:

(i) 25% of the options will be exercisable after the expiry of 12 months from the date of grant (the "First Exercise Date");

(ii) 25% of the options will be exercisable after the expiry of each successive 12 months period from the First Exercise Date; and

(iii) the options will expire on 8 October, 2013.

(c) SNP Share Option Plan and SNP Performance Share Plan

SNP Corporation Ltd ("SNP"), the immediate holding company of the Company, also operates SNP Share Option Plan and SNP Performance Share Plan (collectively referred to as the "Share Plans").

These Share Plans apply to SNP and its subsidiaries' employees, non-executive directors and associated company employees.

(i) SNP Share Option Plan

The following table discloses details of the share options under SNP Share Option Plan held by the directors and movements thereon during the period from 4 July, 2003 (the date on which SNP became the immediate holding company of the Company) to 31 December, 2003.

	Number of share options			
Name of director	**Outstanding at 4.7.2003**	**Granted during 4.7.2003 to 31.12.2003**	**Exercised during 4.7.2003 to 31.12.2003**	**Outstanding at 31.12.2003**
Peter, Yang Sze Chen	–	5,000	–	5,000
Yeo Chee Tong *(Note)*	410,000	80,000	(90,000)	400,000
Tay Siew Choon *(Note)*	120,000	–	–	120,000
Edmund, Cheng Wai Wing *(Note)*	55,000	–	–	55,000
Koo Tse Chia *(Note)*	340,000	50,000	(20,000)	370,000
	925,000	135,000	(110,000)	950,000

Note: Mr. Yeo Chee Tong, Mr. Tay Siew Choon, Mr. Edmund, Cheng Wai Wing and Ms. Koo Tse Chia were appointed as the directors of the Company on 8 July, 2003.

(ii) SNP Performance Share Plan

SNP Performance Share Plan was established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for SNP and its subsidiaries ("SNP Group"). Awards of performance shares, which are released to recipients free of payment, are granted conditional on performance targets (the "Target") set based on medium-term corporate objectives.

No awards of performance shares to the senior executives and the directors of the Group during the year ended 31 December, 2003.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

24. RESERVES

	Contributed surplus *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
The Company					
At 1 January, 2001	63,516	175,555	2,471	285,032	526,574
Issue of shares	–	151,590	–	–	151,590
Premium on purchase of own shares	–	(646)	–	–	(646)
Transfer on repurchase of own shares	–	–	43	(43)	–
Net loss for the year	–	–	–	(19,858)	(19,858)
Final 2000 dividend	–	–	–	(24,170)	(24,170)
At 31 December, 2001	63,516	326,499	2,514	240,961	633,490

	Contributed surplus *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Dividend reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
The Company						
At 1 January, 2002	63,516	326,499	2,514	–	240,961	633,490
Repurchase of shares	–	(6)	1	–	(1)	(6)
Net profit for the year	–	–	–	–	1,670	1,670
Interim 2002 dividend	–	–	–	–	(8,055)	(8,055)
Proposed final 2002 dividend	–	–	–	12,082	(12,082)	–
At 31 December, 2002 and 1 January, 2003	63,516	326,493	2,515	12,082	222,493	627,099
Net profit for the year	–	–	–	–	27,139	27,139
Final 2002 dividend paid	–	–	–	(12,082)	–	(12,082)
Interim 2003 dividend paid	–	–	–	–	(8,055)	(8,055)
Proposed final 2003 dividend	–	–	–	12,082	(12,082)	–
At 31 December, 2003	63,516	326,493	2,515	12,082	229,495	634,101

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued under a group reorganisation in 1991. In addition to retained profits, the contributed surplus of the Company is also available for distribution to shareholders under Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

25. DEFERRED TAX LIABILITIES

	The Group 2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year			
– as previously stated	9,901	12,280	11,981
– adjustment on adoption of SSAP 12 (Revised)	2,184	–	–
– as restated	12,085	12,280	11,981
Charge to income statement for the year	195	–	500
Effect of change in tax rate	–	–	1,124
Disposal of interests in subsidiaries	–	(299)	–
At the end of the year	12,280	11,981	13,605

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the year and prior reporting period:

The Group	Accelerated tax depreciation	Allowance for bad and doubtful debts	Allowance for inventories	Revaluation of properties	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January, 2002						
– as previously stated	16,892	–	–	–	(6,796)	10,096
– adjustment on adoption of SSAP 12 (Revised)	16,307	(7,948)	(3,352)	2,184	(5,007)	2,184
– as restated	33,199	(7,948)	(3,352)	2,184	(11,803)	12,280
(Credit) charge to income statement for the year	(5,604)	428	(166)	–	5,342	–
Disposal of interests in subsidiaries	(1,938)	–	–	–	1,639	(299)
At 31 December, 2002 and 1 January, 2003	25,657	(7,520)	(3,518)	2,184	(4,822)	11,981
(Credit) charge to income statement for the year	(9,369)	4,270	656	–	4,943	500
Effect of change in tax rate						
– charge to income statement	1,402	–	–	–	(483)	919
– charge to equity	–	–	–	205	–	205
At 31 December, 2003	17,690	(3,250)	(2,862)	2,389	(362)	13,605

As at the balance sheet date, the Group has the following major unprovided deferred assets due to the unpredictability of the future profit streams.

	The Group 2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Allowance for inventories	–	–	(616)
Tax losses *(Note)*	(264)	(2,508)	(4,187)
	(264)	(2,508)	(4,803)

Note: Included in unrecognised tax losses are tax losses of HK$11.1 million (2002: Nil) and HK$5.6 million (2002: HK$5.6 million) that will expire in 2008 and 2007, respectively. Other tax losses of HK$1.0 million (2002: HK$7.3 million) may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts are non-trade nature and unsecured. Except for an amount of approximately HK$120,146,000 (2002: HK$120,146,000) which bears interest at 3% (2002: 3%) per annum, the remaining balance is interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are accordingly classified as non-current.

27. DISPOSAL OF INTERESTS IN SUBSIDIARIES

Disposal of interests in subsidiaries:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Property, plant and equipment	–	108,702	–
Inventories	–	21,076	–
Trade receivables	–	49,603	–
Prepayments, deposits and other receivables	–	43,015	–
Tax recoverable	–	2,887	–
Bank balances and cash	–	25,648	–
Trade and bills payables	–	(29,078)	–
Other payables and accruals	–	(21,731)	–
Tax liabilities	–	(3,504)	–
Minority interests	–	(55,948)	–
Deferred tax liabilities	–	(299)	–
Bank borrowings	–	(84,906)	–
	–	55,465	–
Release of translation reserve	–	8,197	–
Reclassification to interests in associates	–	(24,594)	–
	–	39,068	–
Gain on disposal of discontinuing operation	–	25,506	–
Gain on disposal of interests in subsidiaries	–	816	–
	–	65,390	–
Satisfied by:			
Cash received	–	32,670	–
Other receivables *(Note)*	–	32,720	–
	–	65,390	–

Note: The Group received other receivables of HK$26,116,000 during the year ended 31 December, 2003. The remaining balance of HK$6,604,000 is expected to be received in the year ending 31 December, 2004.

An analysis of net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries is as follows:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration	–	32,670	–
Bank balances and cash disposed of	–	(25,648)	–
Net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries	–	7,022	–

The interests in subsidiaries disposed of during the year ended 31 December, 2002 contributed approximately HK$261.4 million to turnover and approximately HK$28.4 million to the consolidated profit before tax for the year ended 31 December, 2002.

28. OPERATING LEASES

(a) The Group as lessee

The Group leases certain of its warehouse and staff quarters under operating lease arrangements. Leases for properties are negotiated for an average term of two years.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,263	–	837
In the second to fifth year inclusive	5,695	–	366
	8,958	–	1,203

(b) The Group as lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The investment properties are expected to generate rental yields of 4% (2002: 3%, 2001: 4%) on an ongoing basis. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	The Group		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Within one year	449	384	47
In the second to fifth year inclusive	384	47	–
	833	431	47

29. CAPITAL COMMITMENTS

	The Group		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Commitments in respect of the acquisition of property, plant and equipment			
– contracted for but not provided	19,921	6,368	5,356
– authorised but not contracted for	–	32,063	35
	19,921	38,431	5,391

The Company had no capital commitment at the balance sheet date (2002: Nil, 2001: Nil).

30. CONTINGENT LIABILITIES

	The Group			The Company		
	2001	2002	2003	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Export bills discounted with recourse	18,089	–	–	–	–	–
Guarantees given to banks in respect of banking facilities granted to subsidiaries	–	–	–	1,423,877	1,052,740	754,200
Guarantee given to banks in respect of banking facilities granted to associates	31,200	–	–	31,200	–	–
Guarantee given to an independent third party in respect of future lease payment of a staff quarter	–	–	133	–	–	–
	31,200	–	133	1,455,077	1,052,740	754,200

31. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

32. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with the following related parties, together with balance with them as at the balance sheet date, details of which are as follows:

Balances	The Group			The Company		
	2001	2002	2003	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to SNP Group	–	–	1,545	–	–	441
Amounts due to associates	–	35,476	17,861	–	–	–
Amounts due from an associate	6,330	–	–	–	–	–

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

TRANSACTIONS

(a) On 4 July, 2003, Smurfit International B.V. ("Smurfit") disposed of its interest in the Company to SNP. During the period from 1 January, 2003 to 4 July, 2003, the Group purchased fibre based products amounting to approximately HK$7,580,000 (1.1.2002 to 31.12.2002: HK$5,786,000; 2001: 993,000) from the group companies of Smurfit. The transactions with the group companies of Smurfit were determined between the Group and the vendor in accordance with the terms of the agreement.

(b) During the year, the Group paid subcontracting fees amounting to approximately HK$40,220,000 (2002: HK$37,652,000; 2001: 11,334,000) to Beijing Leefung-Asco Changcheng Printers Co., Ltd., an indirect 47% owned associate. The subcontracting fees were determined at the rates fairly negotiated between both parties.

(c) During the year, the Group also entered the following transactions with SNP Group.

Nature of transactions	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Services fee paid	–	–	560
Subcontracting fee paid	–	–	13
Sales of goods	–	–	50

The transactions were carried out at the terms agreed by both parties.

(d) On 24 October, 2002, the Group has entered into a conditional sale and purchase agreement with 上海紡印印刷包裝有限公司 (「上海紡印」) pursuant to which the Group has conditionally agreed to dispose of its 26% equity interest in Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (the "Shanghai JV") to 上海紡印 for an aggregate consideration of approximately RMB34,000,000 (equivalent to approximately HK$32,000,000). 上海紡印 is one of the equity owners of the Shanghai JV. The consideration for the disposal was arrived at with reference to the net tangible assets as at 30 June, 2002 attributable to the 26% equity interest in the Shanghai JV to be disposed of and the Group's original cost of investment, as denominated in US dollars, in the Shanghai JV. Immediately following the disposal, the equity interest of the Group in the Shanghai JV would decrease from 51% to 25% whereas the equity interest of 上海紡印 in the Shanghai JV would increase from 41% to 67%. The transaction was completed on 31 December, 2002.

(e) During the year ended 31 December, 2002, the Group sold packaging products amounting to approximately HK$110,839,000 to上海金葉包裝材料有限公司 (「上海金葉」), a company in which 上海紡印 holds 37% interest. 上海紡印 is not a related party of the Group after the Group disposed of its 26% equity interest in the Shanghai JV as mentioned in note (d) above. The transactions with 上海金葉 were determined between the Group and the customer in accordance with the terms of the agreement.

(f) During the year ended 31 December, 2002, the Group has also purchased papers amounting to approximately HK$57,312,000 from 上海金葉. The purchase prices were determined between the Group and the vendor in accordance with the terms of the agreement.

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries at 31 December, 2003 are as follows:

Name of subsidiary	Class of shares held	Place of incorporation or registration/ operation	Nominal value of issued and fully paid capital	Attributable equity interest of the Group	Principal activities
Geltin Limited	Ordinary	Hong Kong	HK$1,000	100%	Property holding
Shenzhen SNP Leefung Printers Co., Ltd. (formerly known as Shenzhen Leefung-Asco Printers Co., Ltd.)	Contributed capital	PRC	US$1,500,000	90%	Printing of magazines
SNP Leefung Investments Limited (formerly known as Leefung-Asco Printers Investments Limited)	Ordinary	British Virgin Islands	US$100	100%	Investment holding
SNP Leefung Limited (formerly known as Leefung-Asco Printers Limited)	Ordinary Deferred	Hong Kong	Ordinary – HK$10,000 Deferred – HK$7,500,000	100% 100%	Investment holding and trading of books and packaging products
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (formerly known as Leefung-Asco Packaging and Printing (Dongguan) Co., Ltd.)	Contributed capital	PRC	US$13,438,000	100%	Printing of books and packaging products
SNP Leefung Printers Limited (formerly known as Leefung-Asco Printers Trading Limited)	Ordinary	Hong Kong	HK$2	100%	Trading of books and packaging products
SNP Leefung Printers (Shenzhen) Co., Ltd. (formerly known as Leefung-Asco Printers (Shenzhen) Co., Ltd.)	Contributed capital	PRC	US$15,000,000	100%	Printing of books and magazines
SNP Leefung Properties Limited (formerly known as Lakesview Limited)	Ordinary	Hong Kong	HK$2	100%	Property holding

Other than SNP Leefung Investments Limited which is held directly by the Company, all subsidiaries are held by the Company indirectly.

None of the subsidiaries had any debt security subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Group's associates which are held by the Company indirectly at 31 December, 2003 are as follows:

Name of associate	Class of shares held	Place of registration/ operation	Attributable equity interest of the Group	Principal activities
Beijing SNP Leefung Changcheng Printers Co., Ltd. (formerly known as Beijing Leefung-Asco Changcheng Printers Limited) *(Note a)*	Contributed capital	PRC	47%	Magazines printing
Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. *(Note a)*	Contributed capital	PRC	25% *(Note b)*	Cigarette packaging printing

Notes:

(a) The companies are registered in the term of sino-foreign joint venture enterprise.

(b) 3.9% equity interest in this associate was pledged to secure one of the Group's other borrowings which is included in other payables and accruals.

2. UNAUDITED INTERIM RESULTS

Set out below is the unaudited interim results of the Group for the six months ended 30 June, 2004 together with the accompanying notes as extracted from the interim report of the Company dated 15 July, 2004.

Consolidated Profit and Loss Account

		Six months ended 30 June	
		2004	**2003**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Turnover		380,829	336,403
Cost of sales		(291,936)	(261,783)
Gross profit		88,893	74,620
Other operating income		1,555	3,047
Distribution costs		(31,257)	(21,159)
Administrative expenses		(40,081)	(37,548)
Impairment loss recognised in respect of plant and machinery	*3*	–	(13,370)
Profit from operations	*4*	19,110	5,590
Finance costs	*5*	(831)	(1,986)
Share of results of associates		2,654	1,940
Amortisation of goodwill arising from the acquisition of an associate		(202)	(202)
Profit before tax		20,731	5,342
Income tax expenses	*6*	(3,582)	(4,029)
Profit after tax		17,149	1,313
Minority interests		(141)	(141)
Net profit attributable to shareholders		17,008	1,172
Interim dividend		8,055	8,055
Basic earnings per share	*7*	HK4.22 cents	HK0.29 cents
Interim dividend per share		HK2 cents	HK2 cents

Consolidated Balance Sheet

	Notes	30 June 2004 (Unaudited) HK$'000	31 December 2003 (Audited) HK$'000
Non-current assets			
Investment properties		10,420	10,420
Property, plant and equipment		517,353	530,152
Interests in associates		82,124	81,386
		609,897	621,958
Current assets			
Inventories		128,229	111,538
Trade receivables	8	246,275	244,231
Prepayments, deposits and other receivables		37,976	35,910
Bank balances and cash		84,152	80,760
		496,632	472,439
Current liabilities			
Trade and bills payables	9	121,025	106,130
Other payables and accruals		65,268	50,863
Tax liabilities		8,959	8,262
Amount due to SNP Group		277	1,545
Amounts due to associates		13,338	17,861
Bank borrowings – due within one year	10	20,000	47,000
		228,867	231,661
Net current assets		267,765	240,778
Total assets less current liabilities		877,662	862,736
Non-current liabilities			
Bank borrowings – due after one year	10	135,000	125,000
Deferred tax liabilities		13,605	13,605
		148,605	138,605
Minority interests		2,410	2,410
		726,647	721,721
CAPITAL AND RESERVES			
Share capital	11	40,273	40,273
Reserves	12	686,374	681,448
		726,647	721,721

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Net cash inflow from operating activities	39,898	39,499
Net cash outflow from investing activities	(6,653)	(26,406)
Net cash outflow from financing activities	(29,853)	(12,606)
Increase in cash and cash equivalents	3,392	487
Cash and cash equivalents at 1 January	80,760	94,607
Cash and cash equivalents at 30 June	84,152	95,094
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	84,152	95,094
	84,152	95,094

Condensed Consolidated Statement of Changes in Equity

	Six months ended 30 June	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Total shareholders equity at 1 January, as previously stated	721,721	721,750
Recognition of deferred tax liability in respect of reserves previously recognised	–	(2,184)
Total shareholders equity at 1 January, as restated	721,721	719,566
Net profit for the period	17,008	1,172
Dividend paid	(12,082)	–
Dividend declared	–	(12,082)
Total shareholders equity at 30 June	726,647	708,656

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in preparing the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2003.

2. Business and geographical segments

(a) Business segments

Segment information of the two operating divisions are as follows:

Six months ended 30 June 2004

	Printing of books and magazines *HK$'000*	**Printing of packaging products** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue				
External sales	340,539	40,290	–	380,829
Inter-segment sales	–	2,966	(2,966)	–
Total	340,539	43,256	(2,966)	380,829
Result				
Segment result	39,448	(4,171)	–	35,277
Unallocated corporate expenses				(16,167)
Profit from operations				19,110
Finance costs				(831)
Share of results of associates	1,310	1,344	–	2,654
Amortisation of goodwill arising from the acquisition of an associate	(202)	–	–	(202)
Profit before tax				20,731
Income tax expenses				(3,582)
Profit after tax				17,149
Minority interests				(141)
Net profit attributable to shareholders				17,008

Six months ended 30 June 2003

	Printing of books and magazines *HK$'000*	Printing of packaging products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External sales	302,277	34,126	–	336,403
Inter-segment sales	–	2,730	(2,730)	–
Total	302,277	36,856	(2,730)	336,403
Result				
Segment result	39,432	(8,157)	–	31,275
Impairment loss recognised in respect of plant and machinery	–	(13,370)	–	(13,370)
Unallocated corporate expenses				(12,315)
Profit from operations				5,590
Finance costs				(1,986)
Share of results of associates	596	1,344	–	1,940
Amortisation of goodwill arising from the acquisition of an associate	(202)	–	–	(202)
Profit before tax				5,342
Income tax expenses				(4,029)
Profit after tax				1,313
Minority interests				(141)
Net profit attributable to shareholders				1,172

(b) *Geographical segments*

	Turnover Six months ended 30 June 2004 (Unaudited) *HK$'000*	2003 (Unaudited) *HK$'000*
The PRC, excluding Hong Kong	186,596	168,322
Hong Kong	9,949	23,362
	196,545	191,684
The United States of America	110,586	103,278
United Kingdom	39,020	20,933
Australia	27,403	16,225
Other areas	7,275	4,283
	380,829	336,403

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group's ratio of profit to turnover.

3. Impairment loss recognised in respect of plant and machinery

The Packaging Division in Dongguan has been incurring operating losses since 2001. In connection to this, the management of the Company conducted a detail assessment of its plant and machinery and concluded that the recoverable amount of certain machineries were less than their carrying values due to obsolescence. Accordingly, an impairment loss of HK$13.4 million has been recognised as an expense in the income statement in June 2003.

4. Profit from operations

	Six months ended 30 June	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	46,635	42,312
– Retirement benefit scheme contributions, net of forfeited contributions of nil (2003: HK$14,000)	2,203	2,349
Total staff costs	48,838	44,661
Auditors' remuneration	538	500
Amortisation of goodwill	202	202
Depreciation	22,409	22,796
Exchange loss, net	664	–
Loss on disposal of properties, plant and equipment	–	151
Minimum lease payment under operating leases:		
– Land and buildings	615	283
– Plant and machinery	50	6
	665	289
And after crediting:		
Rental income	141	225
Less: outgoings	(12)	(12)
Net rental income	129	213
Interest income	456	584
Exchange gain, net	–	581
Gain on disposal of properties, plant and equipment	238	–

5. Finance costs

	Six months ended 30 June	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	831	1,986

6. Income tax expenses

The charge comprises:

	Six months ended 30 June 2004 (Unaudited) *HK$'000*	Six months ended 30 June 2003 (Unaudited) *HK$'000*
Current tax:		
Hong Kong	1,068	1,000
Other jurisdictions	1,781	2,514
	2,849	3,514
Share of taxation attributable to associates	733	515
	3,582	4,029

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$17,008,000 for the six months ended 30 June 2004 (2003: HK$1,172,000) and on the weighted average number of 402,726,918 (2003: 402,726,918) shares in issue during the period.

No dilutive earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the current period.

8. Trade receivables

The Group allows different credit periods to its trade customers depending on the type of printing services provided. Credit periods vary from 90 to 180 days in accordance with the industry practice.

An aged analysis of the trade receivables as at 30 June 2004, based on payment due date, and net of allowance, is as follows:

	30 June 2004 (Unaudited) *HK$'000*	31 December 2003 (Audited) *HK$'000*
Within credit period	205,623	179,354
0 – 30 days	27,513	31,901
31 – 60 days	4,619	17,499
61 – 90 days	6,187	8,492
Over 90 days	2,333	6,985
	246,275	244,231

9. Trade and bills payables

An aged analysis of the trade and bills payables as at 30 June 2004, based on payment due date, is as follows:

	30 June 2004 (Unaudited) *HK$'000*	31 December 2003 (Audited) *HK$'000*
0 – 30 days	106,485	84,555
31 – 60 days	8,390	10,531
61 – 90 days	2,812	7,393
91 – 120 days	1,837	2,641
Over 120 days	1,501	1,010
	121,025	106,130

10. Bank Borrowings

	30 June 2004 (Unaudited) *HK$'000*	31 December 2003 (Audited) *HK$'000*
Unsecured bank loans	155,000	172,000

The above amounts bear interest at prevailing market rates and are repayable as follows:

	30 June 2004 (Unaudited) *HK$'000*	31 December 2003 (Audited) *HK$'000*
Within one year	20,000	47,000
In the second year	55,000	40,000
In the third to fifth years inclusive	80,000	85,000
	155,000	172,000
Less: Amount due for settlement within one year (shown under current liabilities)	(20,000)	(47,000)
Amount due for settlement after one year	135,000	125,000

11. Share capital

	No. of shares	Nominal value *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2004 and 30 June 2004	500,000,000	50,000
Issued and fully paid:		
At 1 January 2004 and 30 June 2004	402,726,918	40,273

12. Reserves

	Share premium (Unaudited) *HK$'000*	Property revaluation reserve (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Translation reserve (Unaudited) *HK$'000*	Reserve fund (Unaudited) *HK$'000*	Dividend reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 January 2004	326,493	11,686	2,515	(4,636)	5,069	12,082	328,239	681,448
Net profit for the period ended 30 June 2004	–	–	–	–	–	–	17,008	17,008
Final 2003 dividend paid	–	–	–	–	–	(12,082)	–	(12,082)
Proposed 2004 interim dividend	–	–	–	–	–	8,055	(8,055)	–
At 30 June 2004	326,493	11,686	2,515	(4,636)	5,069	8,055	337,192	686,374

13. Capital commitments

	30 June 2004 (Unaudited) *HK$'000*	31 December 2003 (Audited) *HK$'000*
Contracted but not provided in the financial statement		
– acquisition of property, plant and equipment	41,825	5,356
– acquisition of interests in subsidiaries of SNP Group	404,100*	–
	445,925	5,356
Authorised but not contracted for		
– acquisition of property, plant and equipment	132	35
	446,057	5,391

* *Please refer to the paragraph "Proposed acquisition of SNP Excel and SNP SPrint (Thailand)" for details.*

14. Contingent liabilities

The Group did not have material contingent liabilities as at the period end dates.

15. Related party transactions

(a) On 4 July 2003, Smurfit International B.V. ("Smurfit") disposed of its interest in the Company to SNP Corporation Ltd ("SNP"). During the six months ended 30 June 2003, the Group purchased fibre based products amounting to approximately HK$7,580,000 from the group companies of Smurfit. The transactions with the group companies of Smurfit were determined between the Group and the vendor in accordance with the terms of the agreement.

(b) During the period, the Group paid subcontracting fees amounting to approximately HK$20,744,000 (six months ended 30 June 2003: HK$18,374,000) to Beijing SNP Leefung Changcheng Printers Co., Ltd., an indirect 47% owned associate. The subcontracting fees were determined at the rates fairly negotiated between both parties.

(c) During the period, the Group also entered the following transactions with SNP Group.

	Six months ended 30 June 2004 (Unaudited) *HK$'000*	2003 (Unaudited) *HK$'000*
Nature of transactions		
Services fee paid	470	–
Subcontracting fee paid	242	–
Sales of goods	84	–

The transactions were carried out at the terms agreed by both parties.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

DIVIDEND

The Board has resolved to declare an interim dividend of HK 2 cents per share for the six months ended 30 June 2004 (six months ended 30 June 2003: HK 2 cents) payable on Wednesday, 25 August 2004, to shareholders whose names appear on the register of members of the Company on Friday, 20 August 2004.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 18 August 2004 to Friday, 20 August 2004, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17 August 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the first half of 2004, the Company reported a turnover of HK$380.8 million. This represented an increase of 13.2% over 2003's turnover of HK$336.4 million. The profit attributable to shareholders amounted to HK$17.0 million which is 17.0% higher than the profit attributable to shareholders before impairment loss of HK$14.5 million in 2003.

The primary reason for the increase in turnover was largely due to the recovery of overseas market and the new marketing effort developed early this year. The increase in operating profit out-performed the increase in turnover as the performance of the Packaging Division continued to improve and was able to reduce losses during the current period.

At the end of June 2004, Group's sales amounted to HK$380.8 million, up from HK$336.4 million last year. The sales to export market increased by HK$33.9 million, representing an increase of 25.1% over last corresponding period. During the first half year, the Company had successfully set-up new sales forces in Europe and US. This has started to create value for the Company in expanding overseas sales. Our PRC business was maintaining a stable turnover as compared to that of last year. This was primarily due to the fact that our capacity has almost reached saturation. With the effort of the new management team, the turnover of the Packaging Division has achieved a growth of 18.1% as compared to 2003. The overall increase in book and magazine printing has helped to improve the profitability in our core printing operation. However, such improvement was partly offset by the increase in paper prices during the period under review. The overall contribution from this segment maintained at approximately HK$39.4 million despite the increase in turnover during the period under review. Concerning the Packaging Division, better management has helped to improve efficiency and the losses has been reduced by HK$3.9 million. The finance costs for the Group has further dropped by HK$1.2 million in current period. This was the result of better treasury management and the entitlement of better credit rating for being a SNP group company.

As reflected by the six months cashflow statement, the operating cash inflow remained strong at HK$39.9 million (2003: HK$39.5 million) for the same period under review. With the improvement in profitability, the Company's operating cashflow position continued to improve. An interim dividend of HK2 cents is proposed which is the same as that of last year.

Financial Review

The Group's net assets was generally financed by internal resources through share capital and reserves. As at 30 June 2004, the Group's cash and bank balances amounted to HK$84.2 million while the total assets and the net assets were approximately HK$1,106.5 million (31 December 2003: HK$1,094.4 million) and HK$726.6 million (31 December 2003: HK$721.7 million) respectively. The current ratio as at 30 June 2004 was 2.17 which was comparable to 2.04 at 31 December 2003. As at 30 June 2004, the total borrowings from banks include term loans amounted to approximately HK$155 million, of which 12.9%, 35.5% and 51.6% were repayable within the first year, the second year and the third to fifth years respectively. Of the total borrowings, all of the borrowings were denominated in Hong Kong dollars and are principally on a floating rate basis. When appropriate, hedging instruments including swaps are used in managing the interest rate exposure.

The Group's net gearing ratio based on net debts to equity has improved from 13% as at 31 December 2003 to 9.7% at 30 June 2004. In view of the Group's ability to generate cash from its operations, together with approximately HK$423.3 million unutilized bank facilities at 30 June 2004, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

Employees policy

At the end of June 2004, the Group employed a total of approximately 80 employees in Hong Kong and a workforce of approximately 2,800 in the PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Pledge of assets

As at 30 June 2004, the Group did not pledge any of its investment properties (2003: nil), land and buildings (2003: nil) respectively as securities for generating banking facilities granted to the Group.

Proposed acquisition of SNP Excel and SNP SPrint (Thailand)

On 3 May 2004, the Company and the holding company, SNP Corporation Ltd ("SNP"), has entered into two Acquisition Agreements pursuant to which the Company conditionally agreed to acquire the entire issued share capital of SNP Excel United Company Limited ("Excel"), approximately 94.93% of the voting issued share capital of SNP SPrint (Thailand) Co., Ltd. ("SPrint") and approximately 98.93% of the voting issued share capital of CTT & Associates Limited ("CTT") from SNP for a total consideration of S$88 million (equivalent to approximately HK$404.1 million). Both Excel and SPrint are principally engaged in the production of pop-up and touch-and-feel books. CTT's sole asset is its shareholding of common and preference shares in the issued share capital of SPrint. For the year ended 31 December 2003, Excel recorded an audited consolidated net profit of approximately HK$34.1 million and SPrint recorded an audited net profit of approximately Baht45.3 million (equivalent to approximately HK$8.5 million). The consideration for the Acquisition of S$88 million (equivalent to approximately HK$404.1 million) represents an effective price-earnings multiple of approximately 9.5 times of the combined audited net profit of Excel and SPrint for the year ended 31 December 2003 of approximately HK$42.6 million.

Since the aggregate audited consolidated profits of the Acquired Companies (including Excel, SPrint and CTT collectively) for the year ended 31 December 2003 exceeds 100% of the audited consolidated profits of the Company for the year ended 31 December 2003, the Acquisition constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has indicated to the Company that it will treat the Company as a new listing applicant pursuant to the Listing Rules if the Acquisition proceeds. A new listing application in respect of the Acquisition has been made to the Listing Committee of the Stock Exchange.

As SNP is the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction pursuant to Rule 14A.13 of the Listing Rules and is conditional upon approval by the Independent Shareholders at a special general meeting.

PROSPECTS

The recovery of the export markets is expected to continue in the second half year. With our fully integrated sales force, increase in demand from overseas customers is expected in the third quarter this year. Concerning our PRC business, the Company has already contracted new printing machines to further increase our production capacity. The installation of those new printing machines will be finished in the fourth quarter and the benefit will be realized in early 2005. Due to better operational management, the Packaging Division should be able to continue its improvement in its bottom line in the second half year. As explained in the section headed "Proposed Acquisition of SNP Excel and SNP SPrint (Thailand)", the Company is in the process of expanding the scope of business into pop-up books and touch-and-feel books. The objective of the acquisition is to build the Company to be a leading regional printing and packaging group with Hong Kong as its headquarters. Following the acquisition, there will be operational synergies between the existing export business and the acquired companies. At the same time, the acquisition will enable the Company to become one of the largest pop-up book printers in the world. Overall, the management is optimistic about the future development of the Company.

AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, 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 of Hong Kong Limited, throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at each Annual General Meeting of the Company in accordance with the Bye-laws of the Company.

Deloitte.
德勤

14 August, 2004

The Directors
SNP Leefung Holdings Limited
SNP Excel United Company Limited
Tai Fook Capital Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding SNP Excel United Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March, 2004 (the "Relevant Periods"), for inclusion in the circular of SNP Leefung Holdings Limited dated 14 August, 2004 (the "Circular"), issued in connection with the proposed acquisition of the Company (the "Acquisition").

The Company was incorporated in Hong Kong with limited liability.

As at the date of this report, the Company has the following subsidiaries, all of which are private limited companies or, if incorporated/established outside Hong Kong, have substantially the same characteristics as a private limited company in Hong Kong.

Name of subsidiary	Date of incorporation	Place of incorporation or establishment/ operations	Paid up issued/ registered capital	Attributable equity interest held directly by the Company	Principal activities
Best-Set Typesetter Limited Guangzhou 廣州全美印務有限公司	4 February, 1994	People's Republic of China ("PRC")	US$450,000	100%	Typesetting
Panyu Excel Printing United Company Limited 番禺藝彩印刷聯合有限公司	29 April, 1994	PRC	HK$43,000,000	100%	Printing of books
SNP Best-Set Typesetter Limited 全美排版有限公司	18 January, 1985	Hong Kong	HK$600,000	100%	Typesetting

We have acted as auditors of the Group for the Relevant Periods. The Financial Information of the Group for the Relevant Periods set out in this report has been prepared based on the audited consolidated financial statements of the Group which have been prepared in accordance with accounting principles generally accepted in Hong Kong and audited in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants (the "Underlying Financial Statements"). We have examined the Underlying Financial Statements. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accounting" as recommended by the Hong Kong Society of Accountants.

The Underlying Financial Statements are the responsibility of the directors of the Group who approved their issue. The directors of SNP Leefung Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December, 2001, 31 December, 2002, 31 December, 2003 and 31 March, 2004 and of the results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 December, 2001 HK$'000	2002 HK$'000	2003 HK$'000	Three months ended 31 March, 2004 HK$'000
Turnover		324,269	423,274	355,815	73,503
Cost of sales		(242,616)	(284,434)	(255,502)	(55,284)
Gross profit		81,653	138,840	100,313	18,219
Other operating income		1,581	5,004	6,779	2,116
Selling and distribution costs		(50,592)	(59,023)	(45,154)	(10,718)
Administrative expenses		(13,222)	(13,901)	(17,181)	(4,405)
Profit from operations	*3*	19,420	70,920	44,757	5,212
Finance costs	*5*	(5,635)	(3,078)	(2,163)	(256)
Profit before taxation		13,785	67,842	42,594	4,956
Taxation	*6*	(3,338)	(9,564)	(8,461)	(881)
Profit after taxation		10,447	58,278	34,133	4,075
Minority interest		(902)	–	–	–
Net profit for the year/period		9,545	58,278	34,133	4,075
Interim dividends	*7*	–	70	70	–
Earnings per share – basic	*8*	HK$1.36	HK$8.33	HK$4.88	HK$0.58

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December, 2001 HK$'000	2002 HK$'000	2003 HK$'000	As at 31 March, 2004 HK$'000
Non-current assets					
Property, plant and equipment	9	87,356	95,208	94,855	95,159
Negative goodwill	10	(554)	(406)	(258)	(221)
Other asset, at cost		380	380	380	380
		87,182	95,182	94,977	95,318
Current assets					
Inventories	12	33,882	42,639	34,967	36,183
Trade receivables	13	73,559	100,130	106,225	87,602
Deposits, prepayments and other receivables		2,407	2,276	2,626	6,607
Amount due from immediate holding company	14	–	–	38,313	63,187
Amounts due from fellow subsidiaries	14	–	351	2,321	4,326
Amount due from a related company	15	6	–	–	–
Taxation recoverable		623	–	–	–
Pledged deposits		3,000	–	–	–
Bank balances and cash		20,644	31,886	39,462	34,721
		134,121	177,282	223,914	232,626
Current liabilities					
Trade and other payables	16	91,687	87,521	60,395	57,355
Bills payable		–	1,296	1,063	1,233
Amount due to a related company	14	16	22	16	19
Amount due to intermediate holding company	14	–	16	–	–
Amount due to immediate holding company	14	–	366	–	–
Amounts due to fellow subsidiaries	14	–	670	14,842	10,061
Dividend payable		3,500	28	–	–
Taxation payable		–	10,114	14,610	2,402
Obligations under finance leases – due within one year	17	10,032	9,942	1,660	1,682
Bank borrowings – due within one year	18	9,622	4,219	13,333	65,896
		114,857	114,194	105,919	138,648
Net current assets		19,264	63,088	117,995	93,978
Total assets less current liabilities		106,446	158,270	212,972	189,296

		As at 31 December,			As at 31 March,
		2001	**2002**	**2003**	**2004**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Obligations under finance leases – due after one year	*17*	16,496	11,540	2,623	2,194
Deferred tax liabilities	*19*	5,341	3,999	6,888	6,233
Bank borrowings – due after one year	*18*	–	–	26,667	–
		21,837	15,539	36,178	8,427
		84,609	142,731	176,794	180,869
Capital and reserves					
Share capital	*20*	7,000	7,000	7,000	7,000
Reserves		77,609	135,731	169,794	173,869
		84,609	142,731	176,794	180,869

BALANCE SHEETS

		As at 31 December,			As at 31 March,
		2001	**2002**	**2003**	**2004**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*9*	52,466	48,306	44,244	45,594
Interests in subsidiaries	*11*	39,486	48,505	48,505	48,505
Other asset, at cost		380	380	380	380
		92,332	97,191	93,129	94,479
Current assets					
Inventories	*12*	33,874	42,630	34,955	36,174
Trade receivables	*13*	67,590	94,223	100,019	80,508
Deposits, prepayments and other receivables		2,321	666	1,747	6,001
Amount due from immediate holding company	*14*	–	–	38,313	63,187
Amounts due from fellow subsidiaries	*14*	–	255	2,835	4,839
Amounts due from subsidiaries	*14*	–	–	6,866	8,935
Amount due from a related company	*15*	6	–	–	–
Tax recoverable		548	–	–	–
Pledged deposits		3,000	–	–	–
Bank balances and cash		14,349	25,149	32,060	29,131
		121,688	162,923	216,795	228,775
Current liabilities					
Trade and other payables	*16*	81,476	72,275	51,898	49,511
Bills payables		–	1,296	1,063	1,234
Amount due to intermediate holding company	*14*	–	11	–	–
Amount due to immediate holding company	*14*	–	366	–	–
Amounts due to fellow subsidiaries	*14*	–	670	14,842	10,023
Amounts due to subsidiaries	*14*	10,850	10,318	8,341	9,353
Dividend payable		3,500	28	–	–
Taxation payable		–	9,800	14,459	2,041
Obligations under finance leases – due within one year	*17*	9,551	9,551	1,445	1,465
Bank borrowings – due within one year	*18*	9,622	4,219	13,333	65,896
		114,999	108,534	105,381	139,523
Net current assets		6,689	54,389	111,414	89,252
Total assets less current liabilities		99,021	151,580	204,543	183,731

		As at 31 December,			As at 31 March,
		2001	2002	2003	2004
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Obligations under finance leases					
– due after one year	*17*	15,960	11,306	2,074	1,700
Deferred tax liabilities	*19*	4,997	3,655	6,577	5,922
Bank borrowing					
– due after one year	*18*	–	–	26,667	–
		20,957	14,961	35,318	7,622
		78,064	136,619	169,225	176,109
Capital and reserve					
Share capital	*20*	7,000	7,000	7,000	7,000
Accumulated profits	*21*	71,064	129,619	162,225	169,109
		78,064	136,619	169,225	176,109

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Exchange reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January, 2001	7,000	393	675	66,996	75,064
Net profit for the year	–	–	–	9,545	9,545
At 31 December, 2001	7,000	393	675	76,541	84,609
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	–	–	(86)	–	(86)
Net profit for the year	–	–	–	58,278	58,278
Interim dividend	–	–	–	(70)	(70)
At 31 December, 2002	7,000	393	589	134,749	142,731
Net profit for the year	–	–	–	34,133	34,133
Interim dividend	–	–	–	(70)	(70)
At 31 December, 2003	7,000	393	589	168,812	176,794
Net profit for the period	–	–	–	4,075	4,075
At 31 March, 2004	7,000	393	589	172,887	180,869

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Profit from operations	19,420	70,920	44,757	5,212
Adjustments for:				
Depreciation and amortisation	12,507	12,462	13,507	3,565
Interest income	(301)	(100)	(679)	(137)
Loss on disposal of a subsidiary	–	1	–	–
Loss (gain) on disposal of property, plant and equipment	30	98	(739)	(30)
Negative goodwill released to income	(37)	(148)	(148)	(37)
Operating cash flows before movements in working capitals	31,619	83,233	56,698	8,573
(Increase) decrease in inventories	(1,390)	(8,757)	7,672	(1,216)
Decrease (increase) in trade receivables	159	(26,571)	(6,095)	18,623
Decrease (increase) in deposits, prepayments and other receivables	5,339	131	(350)	(3,981)
Increase (decrease) in trade and other payables and bills payable	6,872	(2,870)	(27,359)	(2,870)
Increase (decrease) in amounts due to fellow subsidiaries	–	658	(355)	132
Cash generated from operations	42,599	45,824	30,211	19,261
Hong Kong Profits Tax paid	(2,777)	(103)	(579)	(14,955)
PRC income tax paid	(485)	(247)	(497)	(3)
Hong Kong Profits Tax refunded	2,444	4	–	1,038
PRC income tax refunded	–	177	–	176
NET CASH FROM OPERATING ACTIVITIES	41,781	45,655	29,135	5,517
INVESTING ACTIVITIES				
Advance to immediate holding company	–	–	(38,313)	(24,874)
Advance to fellow subsidiaries	–	(362)	(1,970)	(2,005)
(Advance to) repayment from a related company	(6)	6	–	–
Purchases of property, plant and equipment	(7,955)	(17,484)	(10,416)	(3,939)
Proceeds on disposal of property, plant and equipment	–	–	1,601	100
Interest received	301	100	679	137
Acquisition of additional interest in a subsidiary	(1,083)	–	–	–
Decrease in pledged bank deposits	–	3,000	–	–
Proceeds on disposal of a subsidiary	–	10	–	–
NET CASH USED IN INVESTING ACTIVITIES	(8,743)	(14,730)	(48,419)	(30,581)

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES				
New bank loans raised	4,488	–	40,000	65,896
Repayment of obligations under finance leases	(13,532)	(11,076)	(20,799)	(407)
(Decrease) increase in trust receipt loans	(11,095)	1,876	(4,219)	–
Interest paid	(5,635)	(3,078)	(2,163)	(256)
(Repayment to) advance from a related company	(248)	6	(6)	3
Dividend paid	–	(3,542)	(98)	–
Repayment of bank loans	–	(1,386)	–	(40,000)
Advance from (repayment to) fellow subsidiaries	–	12	14,527	(4,913)
Advance from (repayment to) intermediate holding company	–	16	(16)	–
Advance from (repayment to) immediate holding company	–	366	(366)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(26,022)	(16,806)	26,860	20,323
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,016	14,119	7,576	(4,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,837	17,853	31,886	39,462
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	(86)	–	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	17,853	31,886	39,462	34,721
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	20,644	31,886	39,462	34,721
Bank overdrafts	(2,791)	–	–	–
	17,853	31,886	39,462	34,721

Notes:

1. GENERAL

SNP Excel United Company Limited is a private limited company incorporated in Hong Kong. The Company and its subsidiaries are engaged in the printing business.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December for each year ended 31 December 2001, 2002, and 2003 and for the three months ended 31 March, 2004.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year/period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and any identified impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2.5% – 4.5%
Furniture, fixtures and equipment	10% – 18%
Plant and machinery	9% – 33.33%
Motor vehicles	6% – 25%
Computer equipment	50%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Other asset

Other asset, which represents a golf club debenture held by the Company, is stated at cost less any impairment loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers during the year/period.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as expenses when they fall due.

3. PROFIT FROM OPERATIONS

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit from operations has been arrived at after charging:				
Auditors' remuneration	250	300	300	119
Depreciation and amortisation				
Owned assets	4,569	9,627	7,316	3,233
Assets held under finance leases	7,938	2,835	6,191	332
Loss on disposal of property, plant and equipment	30	98	–	–
Loss on disposal of a subsidiary	–	1	–	–
Allowance for bad and doubtful debts	10,026	7,000	1,108	607
Allowance for slow moving inventories	1,800	4,500	3,242	–
Net foreign exchange loss	1,564	–	–	–
Cost of inventories recognised as expenses	227,813	269,230	238,125	50,460
Directors' remuneration *(Note 4)*	6,982	2,974	2,974	706
Other staff costs:				
Salaries and other allowances	46,469	55,876	63,205	15,578
Retirement benefit scheme contribution	748	925	1,020	276
Total staff costs	54,199	59,775	67,199	16,560
and after crediting:				
Net foreign exchange gain	–	2,036	1,268	833
Gain on disposal of property, plant and equipment	–	–	739	30
Interest income on bank deposits	301	100	91	4
Interest income received from a fellow subsidiary	–	–	46	15
Interest income received from immediate holding company	–	–	542	118
Release of negative goodwill to income – included in other operating income	37	148	148	37

4. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of directors' emoluments for the Relevant Periods are as follows:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors				
– fee	871	120	120	70
– salaries and other benefits	5,813	2,730	2,730	630
– bonus	180	100	100	–
– retirement benefits scheme contributions	118	24	24	6
Total emoluments	6,982	2,974	2,974	706

The emoluments of the directors were detailed as follows:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director A	1,353	1,427	1,427	318
Director B	1,353	1,427	1,427	318
Director C	21	80	80	46
Director D	5	20	20	12
Director E	5	20	20	12
Director F	1,353	–	–	–
Director G	1,353	–	–	–
Director H	1,299	–	–	–
Director I	120	–	–	–
Director J	120	–	–	–
	6,982	2,974	2,974	706

Of the five individuals with the highest emoluments in the Group for the Relevant Periods, two (31.12.2003: two; 31.12.2002: two; 31.12.2001: five) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining individuals were as follows:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Employee				
– salaries and other benefits	–	4,095	4,095	945
– bonus	–	150	150	–
– retirement benefits scheme contributions	–	150	150	38
	–	4,395	4,395	983

The emoluments of the employees were within the following bands:

	Number of employees			
	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
HK$Nil – HK$1,000,000	–	–	–	3
HK$1,000,001 – HK$1,500,000	–	3	3	–
	–	3	3	3

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and non-director employee) as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments during the Relevant Periods.

5. FINANCE COSTS

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interests on:				
– obligations under finance leases	2,210	1,726	1,225	56
– bank borrowings wholly repayable within five years	3,425	1,327	857	154
– advances from:				
– fellow subsidiaries	–	20	81	46
– immediate holding company	–	5	–	–
	5,635	3,078	2,163	256

6. TAXATION

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The charge comprises:				
Hong Kong Profits Tax:				
– Current year/period	682	10,724	5,209	1,668
– Overprovision in prior years	(54)	–	(19)	–
	628	10,724	5,190	1,668
PRC income tax:				
– Current year/period	260	182	382	–
– Overprovision in prior years	–	–	–	(132)
	888	10,906	5,572	1,536
Deferred tax *(note 19)*:				
– Charge (credit) for the year/period	1,650	(313)	1,980	(1,231)
– Under (over) provision in prior years	800	(1,029)	535	576
– Attributable to change in tax rate in Hong Kong	–	–	374	–
	3,338	9,564	8,461	881

Hong Kong Profits Tax is calculated at 16%, 16%, 17.5% and 17.5%, respectively of the estimated assessable profit for each of the three years ended 31 December, 2003 and the three months ended 31 March, 2004.

PRC income tax has been provided for at the applicable rates of 27% on the estimated assessable income of the subsidiaries operating in the PRC.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 December, 2003 and 31 March, 2004.

The reconciliation of effective tax rate to profit before taxation per the income statement is as follows:

	Year ended 31 December, 2001		2002		2003		Three months ended 31 March, 2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before taxation	13,785		67,842		42,594		4,956	
Tax at the Hong Kong Profits Tax rate of 16%, 16%, 17.5% and 17.5%, respectively	2,206	16.0	10,855	16.0	7,454	17.5	867	17.5
Net tax effect of expenses or income that are not deductible or taxable in determining taxable profit	261	1.9	(301)	(0.4)	(15)	–	28	0.5
Under (over) provision of profits tax	746	5.4	(1,029)	(1.5)	516	1.2	444	9.0
Tax effect of tax losses not recognised	33	0.2	–	–	–	–	–	–
Tax effect of utilisation of tax losses not previously recognised	–	–	(33)	(0.1)	–	–	–	–
Increase in opening deferred tax balances resulting from an increase in the tax rate in Hong Kong	–	–	–	–	374	0.9	–	–
Effect of different tax rates of subsidiaries operating in PRC	92	0.7	72	0.1	132	0.3	(458)	(9.2)
Tax expense and effective tax rate of the year/period	3,338	24.2	9,564	14.1	8,461	19.9	881	17.8

7. DIVIDENDS

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interim dividends of nil, HK$0.01, HK$0.01 and nil, respectively, per ordinary share	–	70	70	–

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the net profit for the year/period and on 7,000,000 shares in issue during the Relevant Periods.

Diluted earnings per share has not been presented for the Relevant Periods as the Company has no potential dilutive shares outstanding during the Relevant Periods.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1 January, 2001	23,746	9,972	91,822	6,775	–	132,315
Additions	1,442	597	10,604	325	–	12,968
Disposals	–	(1)	(45)	–	–	(46)
Reclassification	–	(3,396)	3,206	190	–	–
At 31 December, 2001	25,188	7,172	105,587	7,290	–	145,237
Additions	14,250	1,234	4,130	–	798	20,412
Disposals	–	(10)	(206)	–	–	(216)
At 31 December, 2002	39,438	8,396	109,511	7,290	798	165,433
Additions	1,902	2,560	4,931	4,202	421	14,016
Disposals	–	(7)	(503)	(4,441)	(183)	(5,134)
At 31 December, 2003	41,340	10,949	113,939	7,051	1,036	174,315
Additions	–	329	3,544	–	66	3,939
Disposals	(61)	–	(15)	(1,012)	–	(1,088)
At 31 March, 2004	41,279	11,278	117,468	6,039	1,102	177,166
DEPRECIATION AND AMORTISATION						
At 1 January, 2001	3,842	4,012	34,693	2,843	–	45,390
Provided for the year	915	754	9,277	1,561	–	12,507
Eliminated on disposals	–	(1)	(15)	–	–	(16)
Reclassification	–	(2,382)	2,371	11	–	–
At 31 December, 2001	4,757	2,383	46,326	4,415	–	57,881
Provided for the year	941	769	9,215	1,261	276	12,462
Eliminated on disposals	–	(5)	(113)	–	–	(118)
At 31 December, 2002	5,698	3,147	55,428	5,676	276	70,225
Provided for the year	1,598	959	9,312	1,157	481	13,507
Eliminated on disposals	–	(5)	(463)	(3,701)	(103)	(4,272)
At 31 December, 2003	7,296	4,101	64,277	3,132	654	79,460
Provided for the period	417	311	2,453	287	97	3,565
Eliminated on disposals	–	–	(6)	(1,012)	–	(1,018)
At 31 March, 2004	7,713	4,412	66,724	2,407	751	82,007
NET BOOK VALUES						
At 31 March, 2004	33,566	6,866	50,744	3,632	351	95,159
At 31 December, 2003	34,044	6,848	49,662	3,919	382	94,855
At 31 December, 2002	33,740	5,249	54,083	1,614	522	95,208
At 31 December, 2001	20,431	4,789	59,261	2,875	–	87,356

	Land and buildings *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
THE COMPANY						
COST						
At 1 January, 2001	5,873	4,904	59,099	4,337	–	74,213
Additions	–	338	8,932	325	–	9,595
At 31 December, 2001	5,873	5,242	68,031	4,662	–	83,808
Additions	–	171	3,228	–	–	3,399
At 31 December, 2002	5,873	5,413	71,259	4,662	–	87,207
Additions	–	–	965	2,812	175	3,952
Disposals	–	–	–	(3,325)	–	(3,325)
At 31 December, 2003	5,873	5,413	72,224	4,149	175	87,834
Additions	–	73	3,228	–	–	3,301
Disposals	–	–	–	(1,012)	–	(1,012)
At 31 March, 2004	5,873	5,486	75,452	3,137	175	90,123
DEPRECIATION AND AMORTISATION						
At 1 January, 2001	808	924	20,028	1,590	–	23,350
Provided for the year	73	524	6,229	1,166	–	7,992
At 31 December, 2001	881	1,448	26,257	2,756	–	31,342
Provided for the year	73	536	6,038	912	–	7,559
At 31 December, 2002	954	1,984	32,295	3,668	–	38,901
Provided for the year	74	541	6,009	827	9	7,460
Eliminated on disposals	–	–	–	(2,771)	–	(2,771)
At 31 December, 2003	1,028	2,525	38,304	1,724	9	43,590
Provided for the period	18	118	1,597	196	22	1,951
Eliminated on disposals	–	–	–	(1,012)	–	(1,012)
At 31 March, 2004	1,046	2,643	39,901	908	31	44,529
NET BOOK VALUES						
At 31 March, 2004	4,827	2,843	35,551	2,229	144	45,594
At 31 December, 2003	4,845	2,888	33,920	2,425	166	44,244
At 31 December, 2002	4,919	3,429	38,964	994	–	48,306
At 31 December, 2001	4,992	3,794	41,774	1,906	–	52,466

The net book value of the Group's land and buildings comprises:

	As at 31 December, 2001	2002	2003	As at 31 March, 2004
	HK$'000	HK$'000	HK$'000	HK$'000
Land and buildings in Hong Kong under medium-term leases	4,992	4,919	4,845	4,827
Land and buildings in the PRC under medium-term leases	15,439	28,821	29,199	28,739
	20,431	33,740	34,044	33,566

The land and buildings of the Company are situated in Hong Kong and are held on medium term leases.

At 31 March, 2004, the net book value of plant and machinery of the Group and the Company includes an amount of approximately HK$5,024,000 (31.12.2003: HK$5,356,000; 31.12.2002: HK$38,966,000; 31.12.2001: HK$39,749,000) and HK$4,300,000 (31.12.2003: HK$4,573,000; 31.12.2002: HK$38,121,000; 31.12.2001: HK$38,572,000) respectively in respect of plant and machinery held under finance leases. As a large portion of finance leases have been fully repaid in 2003, the net book value of plant and machinery held under finance leases as at 31 December, 2003 dropped significantly.

10. NEGATIVE GOODWILL

	HK$'000
GROSS AMOUNT	
At 1 January, 2001	–
Arising on acquisitions	591
At 31 December, 2001, 2002 and 2003 and 31 March, 2004	591
RELEASED TO INCOME	
At 1 January, 2001	–
Released during the year	37
At 31 December, 2001	37
Released during the year	148
At 31 December, 2002	185
Released during the year	148
At 31 December, 2003	333
Released during the period	37
At 31 March, 2004	370
CARRYING AMOUNT	
At 31 March, 2004	221
At 31 December, 2003	258
At 31 December, 2002	406
At 31 December, 2001	554

The negative goodwill arose on the Group's acquisition of additional 20% interest in SNP Best-Set Typesetter Limited in October 2001. The negative goodwill is released to income on a straight line basis of 4 years, the remaining weighted average useful life of the depreciable assets acquired.

11. INTERESTS IN SUBSIDIARIES

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	38,515	48,505	48,505	48,505
Amounts due from subsidiaries	971	–	–	–
	39,486	48,505	48,505	48,505

The amounts were unsecured, interest free and fully settled during 2002.

Details of the Company's subsidiaries as at 31 March, 2004 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Class of shares held	Paid up issued/ registered capital	Attributable equity interest held directly by the Company	Principal activities
Best-Set Typesetter Limited Guangzhou 廣州全美印務有限公司	PRC *(note a)*	Contributed capital	US$450,000	100%	Typesetting
Panyu Excel Printing United Company Limited 番禺藝彩印刷聯合有限公司	PRC *(note b)*	Contributed capital	HK$43,000,000	100%	Printing of books
SNP Best-Set Typesetter Limited 全美排版有限公司	Hong Kong	Ordinary	HK$600,000	100%	Typesetting

None of the subsidiaries had issued any debt securities at the end of the year/period.

Note a: The company is registered in the term of a co-operative joint venture.

Note b: The company is registered in the term of a wholly-owned foreign investment enterprise.

12. INVENTORIES

THE GROUP

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	23,573	31,788	24,558	26,502
Work in progress	10,309	10,851	10,409	9,681
	33,882	42,639	34,967	36,183

THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	23,565	31,780	24,546	26,493
Work in progress	10,309	10,850	10,409	9,681
	33,874	42,630	34,955	36,174

All inventories were stated at cost at 31 December, 2001, 2002 and 2003 and 31 March 2004.

13. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to 150 days to its trade customers.

The following is an aged analysis of trade receivables at the respective balance sheet dates:

THE GROUP

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	53,958	92,270	98,022	72,085
31 – 60 days	11,193	2,072	4,953	6,737
61 – 90 days	4,785	1,384	2,858	6,372
Over 90 days	3,623	4,404	392	2,408
	73,559	100,130	106,225	87,602

THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	49,849	86,942	92,501	65,874
31 – 60 days	10,530	1,528	4,652	6,174
61 – 90 days	4,283	1,360	2,618	6,270
Over 90 days	2,928	4,393	248	2,190
	67,590	94,223	100,019	80,508

14. AMOUNT DUE FROM (TO) IMMEDIATE HOLDING COMPANY/AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES/AMOUNT DUE TO INTERMEDIATE HOLDING COMPANY/AMOUNTS DUE FROM (TO) SUBSIDIARIES/AMOUNT DUE TO A RELATED COMPANY

The amounts are unsecured and have no fixed repayment terms.

Amount due from immediate holding company, SNP Corporation Ltd

THE GROUP AND THE COMPANY

		As at 31 December,		**As at 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade *(note 1)*	–	–	38,313	63,187

The amount due from immediate holding company will be settled upon the completion of the Acquisition.

Amounts due from fellow subsidiaries

THE GROUP

		As at 31 December,		**As at 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade – interest free	–	351	10	11
Non-trade *(note 2)*	–	–	2,311	4,315
	–	351	2,321	4,326

THE COMPANY

		As at 31 December,		**As at 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade – interest free	–	255	10	11
Non-trade *(note 2)*	–	–	2,825	4,828
	–	255	2,835	4,839

The amounts due from fellow subsidiaries will be settled upon the completion of the Acquisition.

Amount due to a related company

THE GROUP

The amount due to a related company represents balance due to Art Land Proofing Press Co., Limited, in which Mr. Tsang Kwong Kuen, a director of the Company, has beneficial interest. The amount will be settled upon the completion of the Acquisition.

Amount due to intermediate holding company

THE GROUP

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade – interest free	–	16	–	–

THE COMPANY

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade – interest free	–	11	–	–

Amount due to immediate holding company

THE GROUP AND THE COMPANY

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade – interest free	–	162	–	–
Non-trade *(note 3)*	–	204	–	–
	–	366	–	–

Amounts due to fellow subsidiaries

THE GROUP

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade – interest free	–	658	303	435
Non-trade – interest free	–	12	–	–
Non-trade *(note 4)*	–	–	14,539	9,626
	–	670	14,842	10,061

THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade – interest free	–	658	303	397
Non-trade – interest free	–	12	–	–
Non-trade *(note 4)*	–	–	14,539	9,626
	–	670	14,842	10,023

The amounts due to fellow subsidiaries will be settled upon the completion of the Acquisition.

Amounts due from subsidiaries

THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade – interest free	–	–	6,866	8,935

Amounts due to subsidiaries

THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade – interest free	9,039	6,453	–	–
Non-trade – interest free	1,811	3,865	8,341	9,353
	10,850	10,318	8,341	9,353

Note 1: The amount carried interest at 0.78% to 2.5% per annum.

Note 2: The amount carried interest at 0.9% to 2.88% per annum.

Note 3: The amount carried interest at nil (31.12.2003: nil; 31.12.2002: 1.13%; 31.12.2001: nil).

Note 4: The amounts carried interest at 0.9% per annum (31.12.2003: 1.9%; 31.12.2002: 2.8125%; 31.12.2001: nil).

15. AMOUNT DUE FROM A RELATED COMPANY

THE GROUP AND THE COMPANY

Details of the amount due from a related company are as follows:

Name of company	Balance at 1.1.2001	Balance at 31.12.2001	Balance at 31.12.2002	Balance at 31.12.2003	Balance at 31.3.2004	Maximum amount outstanding during the year/period ended 31 December, 2001	31 December, 2002	31 December, 2003	31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exclusive International Limited	–	6	–	–	–	6	6	–	–

The amount was non-trade nature and unsecured, interest free and was fully settled during the year ended 31 December, 2003. The sons and daughters of Mr. Tsang Kwong Kuen, a director of the Company, have beneficial interests in this company.

16. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the respective balance sheet dates:

THE GROUP

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	47,298	41,281	26,150	26,651
31 – 60 days	548	178	1,631	930
61 – 90 days	381	213	462	435
Over 90 days	981	1,265	1,761	1,764
	49,208	42,937	30,004	29,780

THE COMPANY

	As at 31 December, 2001	As at 31 December, 2002	As at 31 December, 2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	45,810	38,840	24,279	24,374
31 – 60 days	–	–	1,518	812
61 – 90 days	–	–	367	149
Over 90 days	–	20	26	29
	45,810	38,860	26,190	25,364

17. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December,			As at 31 March,	As at 31 December,			As at 31 March,
	2001	2002	2003	2004	2001	2002	2003	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP								
Amounts payable under finance leases:								
Within one year	11,367	11,112	1,849	1,849	10,032	9,942	1,660	1,682
In the second to fifth year inclusive	17,643	12,355	2,774	2,311	16,496	11,540	2,623	2,194
	29,010	23,467	4,623	4,160	26,528	21,482	4,283	3,876
Less: future finance charges	(2,482)	(1,985)	(340)	(284)	–	–	–	–
Present value of lease obligations	26,528	21,482	4,283	3,876	26,528	21,482	4,283	3,876
Less: Amount due for settlement within 12 months (shown under current liabilities)					(10,032)	(9,942)	(1,660)	(1,682)
Amount due for settlement after 12 months					16,496	11,540	2,623	2,194

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December,			As at 31 March,	As at 31 December,			As at 31 March,
	2001	2002	2003	2004	2001	2002	2003	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY								
Amounts payable under finance leases:								
Within one year	10,800	10,647	1,599	1,598	9,551	9,551	1,445	1,465
In the second to fifth year inclusive	16,971	12,055	2,188	1,789	15,960	11,306	2,074	1,700
	27,771	22,702	3,787	3,387	25,511	20,857	3,519	3,165
Less: future finance charges	(2,260)	(1,845)	(268)	(222)	–	–	–	–
Present value of lease obligations	25,511	20,857	3,519	3,165	25,511	20,857	3,519	3,165
Less: Amount due for settlement within 12 months (shown under current liabilities)					(9,551)	(9,551)	(1,445)	(1,465)
Amount due for settlement after 12 months					15,960	11,306	2,074	1,700

It is the Group's policy to lease certain of its plant and machinery under finance leases. The lease term ranges from two to five years. For the three months ended 31 March, 2004, the average effective borrowing rate was 4% (1.1.2003 to 31.12.2003: 5%; 1.1.2002 to 31.12.2002: 6%; 1.1.2001 to 31.12.2001: 9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

18. BANK BORROWINGS

THE GROUP AND THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank overdraft	2,791	–	–	–
Secured bank loans	4,488	–	–	–
Secured trust receipt loans	2,343	4,219	–	–
Unsecured bank loans	–	–	40,000	65,896
	9,622	4,219	40,000	65,896

Bank borrowings are repayable as follows:

	2001	2002	2003	2004
Within one year	9,622	4,219	13,333	65,896
In the second year	–	–	13,333	–
In the third to fifth year	–	–	13,334	–
	9,622	4,219	40,000	65,896
Less: Amount due within one year or on demand (shown under current liabilities)	(9,622)	(4,219)	(13,333)	(65,896)
Amount due after one year	–	–	26,667	–

At 31 March, 2004 and 31 December, 2003, the bank borrowings were secured by:

(a) cross guarantee of HK$30,000,000 from the immediate holding company, SNP Corporation Ltd.; directors of the Company, Tsang Kwong Kuen and Chung Keung Wah; and shareholders of the Company, Lee Koon Tin, Yeung Chak Fun, So Chi Kwan and Kwong Tak Woo;

(b) corporate guarantee of HK$42,000,000 from the immediate holding company, SNP Corporation Ltd.; and

(c) an unconditional corporate guarantee of HK$170,000,000 from the immediate holding company, SNP Corporation Ltd.

The guarantees from SNP Corporation Ltd. will be released upon the completion of the Acquisition.

At 31 December, 2002, the bank borrowings were secured by:

(a) the Group's land and buildings in Hong Kong with a net book value of HK$4,919,000;

(b) cross guarantee of HK$30,000,000 from: the immediate holding company, SNP Corporation Ltd.; directors of the Company, Tsang Kwong Kuen and Chung Keung Wah; and shareholders of the Company, Lee Koon Tin, Yeung Chak Fun, So Chi Kwan and Kwong Tak Woo; and

(c) an unconditional corporate guarantee from the immediate holding company, SNP Corporation Ltd.

At 31 December, 2001, the bank borrowings were secured by:

(a) the Group's land and buildings in Hong Kong with a net book value of approximately HK$4,992,000;

(b) bank deposits of HK$3 million;

(c) a floating charge on golf club debentures;

(d) properties owned by a company in which Mr. Tsang Kwong Kuen, a director of the Company, has beneficial interest;

(e) properties owned by Mr. Lee Koon Tin, a former director and shareholder of the Company;

(f) joint and several guarantees of HK$2.46 million given by Mr. Lee Koon Tin; and

(g) unlimited joint and several guarantees given by directors, Mr. Tsang Kwong Kuen and Mr. Chung Keung Wah and by a former director, Mr. Yeung Chak Fun. Mr. Chung Keung Wah is also a shareholder of the Company.

19. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and the Company and movements thereon during the current and prior reporting periods:

	THE GROUP Accelerated tax depreciation *HK$'000*	**THE COMPANY Accelerated tax depreciation** *HK$'000*
At 1 January, 2001	2,891	2,697
Charge to income for the year	2,450	2,300
At 31 December, 2001	5,341	4,997
Credit to income for the year	(1,342)	(1,342)
At 31 December, 2002	3,999	3,655
Charge to income for the year	2,515	2,580
Effect of change in tax rate	374	342
At 31 December, 2003	6,888	6,577
Credit to income for the period	(655)	(655)
At 31 March, 2004	6,233	5,922

20. SHARE CAPITAL

	As at 31 March, 2004 and 31 December, 2003, 2002 & 2001
	HK$'000
Authorised, issued and fully paid:	
7,000,000 ordinary shares of HK$1 each	7,000

21. ACCUMULATED PROFITS

	HK$'000
THE COMPANY	
At 1 January, 2001	64,666
Profit for the year	6,398
At 31 December, 2001	71,064
Profit for the year	58,625
Dividend	(70)
At 31 December, 2002	129,619
Profit for the year	32,676
Dividend	(70)
At 31 December, 2003	162,225
Profit for the period	6,884
At 31 March, 2004	169,109

The Company's reserves available for distribution to shareholders as at 31 March, 2004 comprised the accumulated profits of HK$169,109,000 (31.12.2003: HK$162,225,000; 31.12.2002: HK$129,619,000; 31.12.2001: HK$71,064,000).

22. SHARE OPTION SCHEME

Pursuant to the executive share option scheme (the "Scheme") of the immediate holding company, SNP Corporation Ltd, adopted on 28 March, 2001, which was designed to replace the SNP (1999) Executives' Share Option Scheme (the "Previous Scheme"), the directors and employees of the Company may, at the discretion of the immediate holding company's directors, be granted options to subscribe for shares of the immediate holding company. The subscription price of shares under the Scheme is determined by the directors of the immediate holding company, to be either, a price which is equal to the volume-weighted average price of the immediate holding company's shares for the three consecutive trading days immediately preceding the date of grant or a price which is set at a discount to the market price, provided that the maximum discount which may be given in respect of any option shall not exceed 20 per cent of the market price of that option. The subscription price shall, in no event, be less than the nominal value of the immediate holding company's shares.

The Scheme will remain in force for a period of ten years from the date of its adoption. An option may be exercised at any time after the date which is one year after the date of grant.

The Previous Scheme is due to expire on 30 March, 2009 and was terminated after the adoption of the Scheme. The termination of the Previous Scheme and the adoption of the Scheme did not affect the rights of the holders of outstanding options under the Previous Scheme.

	Exercise price *SG$*	Balance at 1.1.2001	Granted during the year	Exercised during the year	Balance at 31.12.2001	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2002	Granted during the year	Exercised during the year	Balance at 31.12.2003	Exercised during the period	Balance at 31.3.2004
		Number of share options												
Directors:														
Mr. Chung Keung Wah	0.69	–	–	–	–	5,000	–	–	5,000	–	–	5,000	–	5,000
	0.61	–	–	–	–	5,000	–	–	5,000	–	–	5,000	–	5,000
	0.59	–	–	–	–	–	–	–	–	5,000	–	5,000	–	5,000
	1.29	–	–	–	–	–	–	–	–	5,000	–	5,000	–	5,000
Ms. Koo Tse Chia	0.75	40,000	–	–	40,000	–	–	(40,000)	–	–	–	–	–	–
	0.50	60,000	–	–	60,000	–	–	–	60,000	–	(20,000)	40,000	(20,000)	20,000
	1.37	70,000	–	–	70,000	–	–	–	70,000	–	–	70,000	–	70,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	–	30,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	–	30,000
	0.69	–	–	–	–	50,000	–	–	50,000	–	–	50,000	–	50,000
	0.61	–	–	–	–	50,000	–	–	50,000	–	–	50,000	–	50,000
	0.59	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
	1.29	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
Mr. Tan Jin Yan	0.50	15,000	–	–	15,000	–	–	–	15,000	–	–	15,000	–	15,000
	1.37	35,000	–	–	35,000	–	–	–	35,000	–	–	35,000	–	35,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	(15,000)	15,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	(15,000)	15,000
	0.69	–	–	–	–	50,000	–	–	50,000	–	–	50,000	(12,500)	37,500
	0.61	–	–	–	–	50,000	–	–	50,000	–	–	50,000	(12,500)	37,500
	0.59	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
	1.29	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
Mr. Tsang Kwong Kuen	0.69	–	–	–	–	7,500	–	–	7,500	–	–	7,500	–	7,500
	0.61	–	–	–	–	7,500	–	–	7,500	–	–	7,500	–	7,500
	0.59	–	–	–	–	–	–	–	–	10,000	–	10,000	–	10,000
	1.29	–	–	–	–	–	–	–	–	35,000	–	35,000	–	35,000
Mr. Yeo Chee Tong	0.50	20,000	–	(20,000)	–	–	–	–	–	–	–	–	–	–
	0.50	80,000	–	–	80,000	–	(60,000)	–	20,000	–	(20,000)	–	–	–
	1.37	90,000	–	–	90,000	–	–	–	90,000	–	(90,000)	–	–	–
	0.50	–	40,000	–	40,000	–	–	–	40,000	–	–	40,000	–	40,000
	0.50	–	40,000	–	40,000	–	–	–	40,000	–	–	40,000	–	40,000
	0.69	–	–	–	–	80,000	–	–	80,000	–	–	80,000	–	80,000
	0.61	–	–	–	–	80,000	–	–	80,000	–	–	80,000	–	80,000
	0.59	–	–	–	–	–	–	–	–	80,000	–	80,000	–	80,000
	1.29	–	–	–	–	–	–	–	–	80,000	–	80,000	–	80,000
		410,000	200,000	(20,000)	590,000	385,000	(60,000)	(40,000)	875,000	415,000	(130,000)	1,160,000	(75,000)	1,085,000
Other employees:	0.69	–	–	–	–	10,000	–	–	10,000	–	–	10,000	–	10,000
	0.61	–	–	–	–	10,000	–	–	10,000	–	–	10,000	–	10,000
	0.59	–	–	–	–	–	–	–	–	15,000	–	15,000	–	15,000
	1.29	–	–	–	–	–	–	–	–	10,000	–	10,000	–	10,000
		410,000	200,000	(20,000)	590,000	405,000	(60,000)	(40,000)	895,000	440,000	(130,000)	1,205,000	(75,000)	1,130,000

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price *SG$*
1 October, 1997	1 October, 1998 to 1 October, 2002	0.75
30 September, 1998	30 September 1999 to 30 September 2003	0.50
13 April, 1999	14 April, 2000 to 12 April, 2009	0.50
29 March, 2000	30 March, 2001 to 28 March, 2010	1.37
23 April, 2001	23 April, 2002 to 22 April, 2011	0.50
11 October, 2001	11 October, 2002 to 10 October, 2011	0.50
17 April, 2002	17 April, 2003 to 16 April, 2012	0.69
23 October, 2002	23 October, 2003 to 22 October, 2012	0.61
15 April, 2003	15 April, 2004 to 14 April, 2013	0.59
15 October, 2003	15 October, 2004 to 14 October, 2013	1.29

The weighted average closing prices of the immediate holding company's shares on the dates in which the share options were exercised were SG$0.530 in the year ended 31 December, 2001, ranged from SG$0.620 to SG$0.665 in the year ended 31 December, 2002, ranged from SG$0.610 to SG$1.440 in the year ended 31 December, 2003 and ranged from SG$1.268 to SG$1.336 in the period ended 31 March, 2004.

23. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year ended 31 December, 2001, the Group acquired additional 20% of the issued share capital of SNP Best-Set Typesetter Limited for a consideration of approximately HK$1,083,000. This acquisition has been accounted for by the purchase method of accounting. The amount of negative goodwill arising as a result of the acquisition was approximately HK$591,000.

	2001
	HK$'000
Minority interests eliminated	1,674
Negative goodwill	(591)
Satisfied by cash	1,083

24. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December, 2003, the Group has entered into finance lease contracts in respect of property, plant and equipment acquired with a total capital value at the inception of the contracts of approximately HK$3,600,000 (2002: HK$2,928,000; 2001: HK$5,013,000).

(b) During the year ended 31 December, 2002, bank loans in the amount of approximately HK$3,102,000 (2001: HK$15,852,000) were re-structured into finance lease obligations.

25. OPERATING LEASES

THE GROUP

	Year ended 31 December,			**Three months ended 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Minimum lease payments paid under operating leases during the year/period	5,699	6,530	7,588	1,820

THE COMPANY

	Year ended 31 December,			**Three months ended 31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Minimum lease payments paid under operating leases during the year/period	1,522	1,001	1,107	308

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

THE GROUP

	As at 31 December, 2001	2002	2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	4,210	3,982	4,985	5,227
In the second to fifth year inclusive	12,693	13,206	14,621	15,078
Over five years	105,260	109,531	106,430	114,635
	122,163	126,719	126,036	134,940

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

THE COMPANY

	As at 31 December, 2001	2002	2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,110	599	1,027	999
In the second to fifth year inclusive	415	–	321	80
	1,525	599	1,348	1,079

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties and production factories. Leases are negotiated and fixed for a term ranging from 2 to 50 years.

26. CAPITAL COMMITMENTS

THE GROUP

	As at 31 December, 2001	2002	2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of plant and machinery contracted for but not provided in the financial statements	987	–	3,826	7,531

THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of plant and machinery contracted for but not provided in the financial statements	987	–	3,767	7,489
Capital expenditure in respect of the share capital injection in a subsidiary	10,000	–	–	–
	10,987	–	3,767	7,489

27. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities:

THE GROUP AND THE COMPANY

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bills of exchange discounted with recourse	17,482	1,321	1,200	–
Guarantee issued to a third party	165	165	86	86
	17,647	1,486	1,286	86

28. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated by the PRC governments. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC governments is to make the required contributions under the schemes.

29. RELATED PARTY TRANSACTIONS

(I) Related party transactions

During the year, the Group entered into the following transactions with related parties:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Immediate holding company				
SNP Corporation Ltd				
– Management fee paid *(note i)*	–	1,720	4,415	1,141
– Interest paid *(note ii)*	–	5	–	–
– Interest received *(note iv)*	–	–	542	118
– Sub-processing charges received *(note i)*	–	–	4	–
Fellow subsidiaries				
– Purchase of inventories *(note i)*	–	661	312	209
– Administration fee received *(note i)*	–	398	375	–
– Interest paid *(note iii)*	–	20	81	46
– Sundry income received *(note i)*	–	15	46	13
– Interest received *(note v)*	–	–	46	15
– Sub-processing charges received *(note i)*	–	–	63	–
– Sundry expenses paid *(note i)*	–	–	–	59
Companies in which a director and his wife, a former director and shareholder of the Company have beneficial interests				
– Sub-processing charges paid *(note i)*	1,333	122	108	29

Notes:

(i) In the opinion of the directors, all of the above transactions were carried out in the ordinary course of business of the Group and conducted at terms no more favourable than that to independent third parties and were charged at a pre-agreed rate.

(ii) Interest is charged on amount due to immediate holding company at 1.13% per annum. Details are set out in note 14.

(iii) Interest is charged on amounts due to fellow subsidiaries at 0.9% (31.12.2003: 1.9%; 31.12.2002: 2.8125%) per annum. Details are set out in note 14.

(iv) Interest is charged on amount due from immediate holding company at 0.78% to 2.5% per annum. Details are set out in note 14.

(v) Interest is charged on amounts due from fellow subsidiaries at 0.9% to 2.88% per annum. Details are set out in note 14.

The Group will cease to pay management fee and receive interest income from its immediate holding company upon the completion of the Acquisition.

(II) Related party balances

Details of balances with related parties as at the respective balance sheet dates are set out on the consolidated balance sheets and in notes 14 and 15.

(III) Bank facilities

Certain of the Group's banking facilities as at the respective balance sheet dates were also secured by the guarantee from immediate holding company and directors of the Company.

30. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – printing of books and typesetting. These divisions are the basis on which the Group reports its primary segment information.

Intersegment sales are charged at prevailing market rates.

Segment information about these businesses is presented below:

Year ended 31 December, 2001

	Printing of books	**Typesetting**	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	301,164	23,105	–	324,269
Inter-segment sales	–	4	(4)	–
Total	301,164	23,109	(4)	324,269
RESULT				
Segment result	16,565	1,278	(4)	17,839
Other operating income				1,581
Profit from operations				19,420
Finance costs				(5,635)
Profit before taxation				13,785
Taxation				(3,338)
Profit after taxation				10,447

As at 31 December, 2001

BALANCE SHEET

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	186,729	10,307	197,036
Unallocated corporate assets			24,267
Consolidated total assets			221,303
LIABILITIES			
Segment liabilities	87,990	3,713	91,703
Unallocated corporate liabilities			44,991
Consolidated total liabilities			136,694

Year ended 31 December, 2001

OTHER INFORMATION

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
Capital additions	12,042	926	12,968
Depreciation and amortisation	11,566	941	12,507
Loss on disposal of property, plant and equipment	–	30	30
Allowance for bad and doubtful debts	10,026	–	10,026
Allowance for slow moving inventories	1,800	–	1,800

Year ended 31 December, 2002

	Printing of books HK$'000	Typesetting HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER				
External sales	398,928	24,346	–	423,274
Inter-segment sales	–	2	(2)	–
Total	398,928	24,348	(2)	423,274
RESULT				
Segment result	63,821	2,097	(2)	65,916
Other operating income				5,004
Profit from operations				70,920
Finance costs				(3,078)
Profit before taxation				67,842
Taxation				(9,564)
Profit after taxation				58,278

As at 31 December, 2002

BALANCE SHEET

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	229,664	10,914	240,578
Unallocated corporate assets			31,886
Consolidated total assets			272,464
LIABILITIES			
Segment liabilities	85,024	4,867	89,891
Unallocated corporate liabilities			39,842
Consolidated total liabilities			129,733

Year ended 31 December, 2002

OTHER INFORMATION

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
Capital additions	19,074	1,338	20,412
Depreciation and amortisation	11,179	1,283	12,462
Loss on disposal of property, plant and equipment	–	98	98
Allowance for bad and doubtful debts	7,000	–	7,000
Allowance for slow moving inventories	4,500	–	4,500

Year ended 31 December, 2003

	Printing of books HK$'000	Typesetting HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER				
External sales	328,881	26,934	–	355,815
Inter-segment sales	–	1	(1)	–
Total	328,881	26,935	(1)	355,815
RESULT				
Segment result	35,667	2,312	(1)	37,978
Other operating income				6,779
Profit from operations				44,757
Finance costs				(2,163)
Profit before taxation				42,594
Taxation				(8,461)
Profit after taxation				34,133

As at 31 December, 2003

BALANCE SHEET

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	268,827	10,602	279,429
Unallocated corporate assets			39,462
Consolidated total assets			318,891
LIABILITIES			
Segment liabilities	70,995	5,321	76,316
Unallocated corporate liabilities			65,781
Consolidated total liabilities			142,097

Year ended 31 December, 2003

OTHER INFORMATION

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
Capital additions	12,183	1,833	14,016
Depreciation and amortisation	11,982	1,525	13,507
Allowance for bad and doubtful debts	1,108	–	1,108
Allowance for slow moving inventories	3,242	–	3,242

Business segments

Three months ended 31 March, 2004

	Printing of books HK$'000	Typesetting HK$'000	Consolidated HK$'000
TURNOVER			
External sales	66,293	7,210	73,503
RESULT			
Segment result	2,251	845	3,096
Other operating income			2,116
Profit from operations			5,212
Finance costs			(256)
Profit before taxation			4,956
Taxation			(881)
Profit after taxation			4,075

As at 31 March, 2004

BALANCE SHEET

	Printing of books *HK$'000*	Typesetting *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	282,371	10,852	293,223
Unallocated corporate assets			34,721
Consolidated total assets			327,944
LIABILITIES			
Segment liabilities	63,987	4,681	68,668
Unallocated corporate liabilities			78,407
Consolidated total liabilities			147,075

Three months ended 31 March, 2004

OTHER INFORMATION

	Printing of books *HK$'000*	Typesetting *HK$'000*	Consolidated *HK$'000*
Capital additions	3,828	111	3,939
Depreciation and amortisation	3,198	367	3,565
Allowance for bad and doubtful debts	607	–	607

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	Sales revenue by geographical market			
	Year ended 31 December,			Three months ended 31 March,
	2001 *HK$'000*	2002 *HK$'000*	2003 *HK$'000*	2004 *HK$'000*
North America	207,763	284,567	213,710	41,665
Europe	84,483	96,011	67,473	13,261
Asia	19,883	21,284	20,186	8,646
Australia	10,502	8,653	8,929	993
South Africa	–	1,396	29,157	5,643
Other regions	1,638	11,363	16,360	3,295
	324,269	423,274	355,815	73,503

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets			
				As at
	As at 31 December,			**31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	113,650	143,307	197,289	205,118
The PRC	107,030	129,157	121,602	122,826
	220,680	272,464	318,891	327,944

	Additions to property, plant and equipment			
				Three months ended
	Year ended 31 December,			**31 March,**
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,454	438	3,988	139
The PRC	11,514	19,974	10,028	3,800
	12,968	20,412	14,016	3,939

B. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Company is Temasek Holdings (Pte) Ltd, a company incorporated in Singapore.

C. DIRECTORS' REMUNERATION

Save as disclosed in this respect, no remuneration was paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Relevant Periods.

Details of the aggregate remuneration of the Company's directors for the year ending 31 December, 2004 under the arrangement presently in force are set out in the paragraph headed "Service contract" in Appendix IX to the Circular.

D. SUBSEQUENT EVENTS

No significant events were noted subsequent to 31 March, 2004.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March, 2004.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

14 August, 2004

The Directors
SNP Leefung Holdings Limited
SNP SPrint (Thailand) Co., Ltd.
(formerly known as SNP Sirivatana Co., Ltd.)
Tai Fook Capital Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding SNP SPrint (Thailand) Co., Ltd., (the "Company"), formerly known as SNP Sirivatana Co., Ltd., for each of the three years ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March 2004 (the "Relevant Periods"), for inclusion in the circular of SNP Leefung Holdings Limited dated 14 August, 2004 (the "Circular"), issued in connection with the proposed acquisition of the Company (the "Acquisition").

The Company was incorporated in Thailand with limited liability.

The financial statements of the Company which were prepared in accordance with the relevant accounting rules and financial regulations applicable to companies established under the law of Thailand, were audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., certified public accountants registered in Thailand, a member firm of Deloitte Touche Tohmatsu.

We have examined the audited financial statements of the Company in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The Financial Information of the Company for the Relevant Periods set out in this report has been prepared based on the audited financial statements of the Company in respect of which no material adjustment was required to be made in preparing the Financial Information in conformity with accounting principles generally accepted in Hong Kong (the "Underlying Financial Statements").

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of SNP Leefung Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December, 2001, 31 December, 2002 and 31 December, 2003 and 31 March, 2004 and of the results and cash flows of the Company for the Relevant Periods.

A. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December,			Three months ended 31 March,
		2001	**2002**	**2003**	**2004**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover		109,332	97,996	108,907	24,104
Cost of sales		(88,774)	(89,839)	(85,122)	(20,054)
Gross profit		20,558	8,157	23,785	4,050
Other operating income		5,136	1,840	2,866	710
Selling and distribution costs		(2,848)	(4,185)	(5,337)	(1,341)
Administrative expenses		(11,029)	(9,323)	(11,179)	(2,107)
Profit (loss) from operations	*3*	11,817	(3,511)	10,135	1,312
Finance costs	*5*	(2,295)	(2,090)	(1,075)	(129)
Profit (loss) before taxation		9,522	(5,601)	9,060	1,183
Taxation	*6*	(16)	–	(569)	(79)
Profit (loss) for the year/period		9,506	(5,601)	8,491	1,104
Dividends	*7*	197	61	210	–
Earnings (loss) per share – basic	*8*	0.86	(0.53)	0.77	0.10

BALANCE SHEETS

		As at 31 December,			As at 31 March,
		2001	**2002**	**2003**	**2004**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*9*	30,183	28,253	28,622	28,694
CURRENT ASSETS					
Inventories	*10*	18,680	19,048	21,307	24,902
Trade and other receivables	*11*	59,369	53,705	51,801	54,442
Pledged bank deposits		3,812	–	–	–
Bank balances and cash		7,196	8,416	9,366	9,600
		89,057	81,169	82,474	88,944
CURRENT LIABILITIES					
Trade and other payables	*12*	8,750	15,196	15,549	18,554
Amount due to immediate holding company	*13*	2,561	3,767	8,116	9,487
Amounts due to fellow subsidiaries	*13*	–	36	28	3
Loan from immediate holding company	*17*	–	–	–	2,934
Taxation payable		–	–	311	392
Bank borrowings – due within one year	*14*	29,105	23,666	11,223	12,287
Obligations under finance leases – due within one year	*15*	1,082	115	42	10
		41,498	42,780	35,269	43,667
NET CURRENT ASSETS		47,559	38,389	47,205	45,277
TOTAL ASSETS LESS CURRENT LIABILITIES		77,742	66,642	75,827	73,971
NON-CURRENT LIABILITIES					
Bank borrowings – due after one year	*14*	5,473	4,199	517	–
Obligations under finance leases – due after one year	*15*	150	39	–	–
Other payable – due after one year	*16*	4,690	–	–	–
Loan from immediate holding company	*17*	4,977	4,081	3,361	–
		15,290	8,319	3,878	–
		62,452	58,323	71,949	73,971
CAPITAL AND RESERVES					
Share capital	*18*	38,779	39,716	43,101	43,651
Reserves		23,673	18,607	28,848	30,320
		62,452	58,323	71,949	73,971

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory reserve	Accumulated profits	Total
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
At 1 January, 2001	39,493	1,180	13,393	54,066
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	(714)	(18)	(191)	(923)
Profit for the year	–	–	9,506	9,506
Transfer from accumulated profits	–	475	(475)	–
Interim dividend	–	–	(197)	(197)
At 31 December, 2001	38,779	1,637	22,036	62,452
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	937	35	561	1,533
Loss for the year	–	–	(5,601)	(5,601)
Transfer from accumulated profits	–	1,134	(1,134)	–
Interim dividend	–	–	(61)	(61)
At 31 December, 2002	39,716	2,806	15,801	58,323
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	3,385	293	1,667	5,345
Profit for the year	–	–	8,491	8,491
Transfer from accumulated profits	–	1,211	(1,211)	–
Interim dividend	–	–	(210)	(210)
At 31 December, 2003	43,101	4,310	24,538	71,949
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	550	55	313	918
Profit for the period	–	–	1,104	1,104
At 31 March, 2004	43,651	4,365	25,955	73,971

Note: According to the Civil and Commercial Code of Thailand, the Company must appropriate to a reserve fund at each distribution of dividend at least one-twentieth of the profit arising from the business of the Company until the reserve fund reaches one-tenth of the share capital of the Company. Such reserve fund is not available for distribution as dividend until the Company is finally wound up.

CASH FLOW STATEMENTS

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Profit (loss) from operations	11,817	(3,511)	10,135	1,312
Adjustments for:				
Depreciation and amortisation	5,204	3,545	3,725	1,013
Gain on disposal of property, plant and equipment	(88)	(123)	(5)	(51)
Interest income	(60)	(79)	(12)	(2)
Operating cash flows before movements in working capital	16,873	(168)	13,843	2,272
(Increase) decrease in inventories	(761)	84	(636)	(3,323)
(Increase) decrease in trade and other receivables	(16,511)	7,111	6,944	(1,979)
(Decrease) increase in trade and other payables	(5,407)	1,431	3,748	2,807
(Decrease) increase in amount due to immediate holding company	(1,786)	1,172	4,014	1,419
Increase (decrease) in amounts due to fellow subsidiaries	–	–	25	(25)
Cash (used in) generated from operations	(7,592)	9,630	27,938	1,171
Corporate income tax paid	(16)	–	(258)	(2)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(7,608)	9,630	27,680	1,169
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,446)	(874)	(6,484)	(729)
Proceeds from disposal of property, plant and equipment	213	123	25	59
Interest received	60	79	12	2
Decrease in pledged bank deposits	–	3,904	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(4,173)	3,232	(6,447)	(668)

	Year ended 31 December, 2001 HK$'000	2002 HK$'000	2003 HK$'000	Three months ended 31 March, 2004 HK$'000
FINANCING ACTIVITIES				
New bank loans raised	41,996	17,829	11,539	–
Loan from (repayment to) immediate holding company	4,210	(1,016)	(1,068)	(470)
Increase (decrease) in amounts due to fellow subsidiaries	–	36	(36)	–
(Decrease) increase in amounts due to immediate holding company	–	(28)	14	(152)
Repayment of bank loans	(26,328)	(20,428)	(29,490)	(1,630)
Interest paid	(2,295)	(2,090)	(1,075)	(129)
Repayment of obligations under finance leases	(1,479)	(1,108)	(125)	(33)
Net (decrease) increase in trust receipt loans	(395)	(244)	889	1,711
Dividend paid	(197)	(61)	(210)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	15,512	(7,110)	(19,562)	(703)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,731	5,752	1,671	(202)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(2,470)	1,306	7,090	9,366
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	45	32	605	120
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	1,306	7,090	9,366	9,284
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	7,196	8,416	9,366	9,600
Bank overdrafts	(5,890)	(1,326)	–	(316)
	1,306	7,090	9,366	9,284

1. GENERAL

SNP SPrint (Thailand) Co., Ltd. (the "Company"), formerly known as SNP Sirivatana Co., Ltd., was established on 5 February, 1993 under the law of Thailand. The Company is engaged in production of children's books.

On 4 March, 2002, a special resolution has been passed in an extraordinary shareholders' meeting to change the Company's name from SNP Sirivatana Co., Ltd. to SNP SPrint (Thailand) Co., Ltd. The Company's new name was registered with the Registrar of Partnerships and Companies in Thailand on 1 April, 2002.

The Company's books and records are maintained in Thailand Baht, the currency in which the majority of the Company's transactions are denominated. For presentation purpose, the assets and liabilities of the Company are translated to Hong Kong dollars at the exchange rates prevailing on each balance sheet date. Income and expenses items are translated at the average exchange rates for the period.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the following principal accounting policies which were conforming with accounting principles generally accepted in Hong Kong.

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment, other than plant and machinery under installation and factory buildings under construction, are stated at cost less depreciation and amortisation and any identified impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment, other than plant and machinery under installation and factory building under construction, over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	3.33% – 5%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	20% – 50%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Company.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Plant and machinery under installation and factory buildings under construction are stated at cost less any impairment losses, and are not depreciated. They are reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

On 1 January, 2002, the Company changed the estimated useful life of certain items of machinery from 5 years to 10 years according to the new useful life which was estimated by independent appraiser. The change in depreciation rate decreased the depreciation charge for the year ended 31 December, 2002 of approximately HK$2,012,000.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

Transactions in currencies other than Baht are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

The assets and liabilities of the Company's operations denominated in Baht are translated to Hong Kong dollars at the rates ruling on the balance sheet date. Income and expense items denominated in Baht are translated to Hong Kong dollars at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Company's exchange reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Company. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance leases obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

3. PROFIT (LOSS) FROM OPERATIONS

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit (loss) from operations has been arrived at after charging:				
Directors' emoluments *(note 4)*	451	323	407	106
Other staff costs	32,867	31,698	23,375	5,472
Total staff costs	33,318	32,021	23,782	5,578
Auditors' remuneration	104	109	144	35
Depreciation and amortisation				
Owned assets	3,755	3,429	3,605	981
Assets held under finance lease	1,449	116	120	32
Allowance for bad and doubtful debts	–	569	1,374	453
Exchange loss	–	1,609	3,717	111
and after crediting:				
Gain on disposal of property, plant and equipment	88	123	5	51
Bank interest income	60	79	12	2
Exchange gain	1,661	–	–	–

4. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of directors' emoluments for the Relevant Periods are as follows:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors				
– fee	112	116	119	32
– salaries and other benefits	339	207	288	74
Total emoluments	451	323	407	106

The emoluments of the directors were disclosed as follows:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director A	299	2	2	1
Director B	148	164	158	41
Director C	2	2	2	1
Director D	2	2	2	1
Director E	–	153	243	62
Director F	–	–	–	–
	451	323	407	106

Of the five individuals with the highest emoluments in the Company for the Relevant Periods, one (31.12.2003: two; 31.12.2002: two; 31.12.2001: two) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining four (31.12.2003: three; 31.12.2002: three, 31.12.2001: three) individuals were as follows:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Employee				
– salaries and other benefits	608	474	502	311

The emoluments of the employees were within the following bands:

	Number of employees			
	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
HK$Nil to HK$1,000,000	3	3	3	4

During the Relevant Periods, no emoluments were paid by the Company to any of the directors or the five highest paid individuals (including directors and non-director employee) as an inducement to join or upon joining the Company or as compensation for loss of office. No director waived any emoluments during the Relevant Periods.

5. FINANCE COSTS

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:				
– obligations under finance leases	269	48	8	2
– bank borrowings wholly repayable within five years	1,841	1,933	967	106
– loan from immediate holding company	185	109	100	21
	2,295	2,090	1,075	129

6. TAXATION

The charge for the Relevant Periods represents the corporate income tax calculated at the rates of 30% prevailing in Thailand.

The charge for the Relevant Periods can be reconciled to the profit (loss) per income statement as follows:

	Year ended 31 December, 2001		2002		2003		Three months ended 31 March, 2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit (loss) before taxation	9,522		(5,601)		9,060		1,183	
Tax at the corporate income tax rate of 30%	2,856	30.0	(1,680)	(30.0)	2,718	30.0	355	30.0
Tax effect of expenses that are not deductible in determining taxable profit	41	0.4	1,199	21.4	189	2.1	130	11.0
Utilisation of tax losses not previously recognised	–	–	–	–	(481)	(5.3)	–	–
Tax effect of tax losses not recognised	–	–	481	8.6	–	–	–	–
Effect of tax exemptions granted to the Company	(2,881)	(30.2)	–	–	(1,857)	(20.5)	(406)	(34.3)
Tax expense and effective tax rate of the year/period	16	0.2	–	–	569	6.3	79	6.7

The Company was granted certain rights and privileges as a promoted industry under the Promotion of Investment Act of (B.E. 2520) 1997 from Board of Investment of Thailand. Board of Investment is under the control of Ministry of Industry of Thailand. They include, among other things, exemption from corporate income tax on net profit for a period of eight years from August, 1994 to July 2002 from children's books operation under the certificate No. 1298/2538. Thereafter a reduction for net income of 50% of the corporate income tax rate for another five years from August 2002 to July 2007. The Company has also obtained a permission to deduct taxable income at 5% of the increased turnover over the previous year, derived from exports for 10 years from August, 1994, provided that such turnover from export is not less than the turnover from export averaged over the previous three year period, except for the first two years. Shareholders of the Company will be exempted from tax on dividend received from its promoted activities during the period in which the Company is granted exemption from corporate income tax.

On 13 June, 2001, the Company was granted certain rights and privileges as a promoted industry from offset printing under the certificate No. 1398/2544. The significant promotion privileges are the same as those of the certificate No. 1298/2538. The period of exception from corporate income tax on net profit was from June 2001 to May 2009. Thereafter a reduction of net income of 50% of the corporate income tax rate for another five years from June 2009 to May 2014.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

7. DIVIDENDS

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interim dividends for preference shareholders of HK$0.0175, HK$0.0054, HK$0.0187 and nil, respectively, per preference share	197	61	210	–

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the Relevant Periods is based on the following data:

	31.12.2001	**31.12.2002**	**31.12.2003**	**31.3.2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit (loss) for the year/period	9,506	(5,601)	8,491	1,104
Dividends on preference shares	(197)	(61)	(210)	–
Earnings (loss) for the purposes of basic earnings (loss) per share	9,309	(5,662)	8,281	1,104
Weighted average number of ordinary shares	10,780,000	10,780,000	10,780,000	10,780,000

Diluted earnings (loss) per share has not been presented for the Relevant Periods as the Company has no potential dilutive shares outstanding during the Relevant Periods.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Plant and machinery under installation and factory buildings under construction *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 January, 2001	10,618	2,809	24,914	1,373	1,607	41,321
Currency realignment	(184)	(67)	(396)	(22)	(26)	(695)
Additions	17	2,513	5,352	424	830	9,136
Transfer	1,301	(5,250)	3,949	–	–	–
Disposals	–	–	(26)	(24)	(370)	(420)
At 31 December, 2001	11,752	5	33,793	1,751	2,041	49,342
Currency realignment	284	–	816	42	49	1,191
Additions	60	265	179	191	179	874
Transfer	–	(270)	270	–	–	–
Disposals	–	–	(62)	–	(264)	(326)
At 31 December, 2002	12,096	–	34,996	1,984	2,005	51,081
Currency realignment	1,031	–	3,034	192	176	4,433
Additions	–	–	1,131	514	149	1,794
Disposals	–	–	–	(1)	(39)	(40)
At 31 December, 2003	13,127	–	39,161	2,689	2,291	57,268
Currency realignment	167	–	500	34	29	730
Additions	–	–	575	154	–	729
Disposals	–	–	–	(10)	(79)	(89)
At 31 March, 2004	13,294	–	40,236	2,867	2,241	58,638
DEPRECIATION AND AMORTISATION						
At 1 January, 2000	1,236	–	11,270	997	979	14,482
Currency realignment	(19)	–	(179)	(17)	(17)	(232)
Provided for the year	551	–	4,203	165	285	5,204
Eliminated on disposals	–	–	(27)	(20)	(248)	(295)
At 31 December, 2001	1,768	–	15,267	1,125	999	19,159
Currency realignment	40	–	360	26	24	450
Provided for the year	605	–	2,381	213	346	3,545
Eliminated on disposals	–	–	(62)	–	(264)	(326)
At 31 December, 2002	2,413	–	17,946	1,364	1,105	22,828
Currency realignment	234	–	1,642	130	107	2,113
Provided for the year	627	–	2,486	302	310	3,725
Eliminated on disposals	–	–	–	–	(20)	(20)
At 31 December, 2003	3,274	–	22,074	1,796	1,502	28,646
Currency realignment	42	–	282	23	19	366
Provided for the period	166	–	668	97	82	1,013
Eliminated on disposals	–	–	–	(7)	(74)	(81)
At 31 March, 2004	3,482	–	23,024	1,909	1,529	29,944
NET BOOK VALUES						
At 31 March, 2004	9,812	–	17,212	958	712	28,694
At 31 December, 2003	9,853	–	17,087	893	789	28,622
At 31 December, 2002	9,683	–	17,050	620	900	28,253
At 31 December, 2001	9,984	5	18,526	626	1,042	30,183

The buildings represent the cost of construction of the factories, warehouses and staff quarters for the Company and the buildings were situated on land under medium-term leases.

The following is the net book value of the Company's property, plant and equipment held under finance leases at the respective balance sheet dates:

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Plant and equipment	1,006	–	–	–
Furniture, fixtures and equipment	36	–	–	–
Motor vehicles	484	380	287	259
	1,526	380	287	259

10. INVENTORIES

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	12,201	11,429	12,922	14,806
Work-in-progress	6,212	4,281	8,385	10,096
Finished goods	267	3,338	–	–
	18,680	19,048	21,307	24,902

All the inventories are stated at cost.

11. TRADE AND OTHER RECEIVABLES

The Company allows an average credit period of 120 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables at the respective balance sheet dates:

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	38,082	34,288	30,710	32,714
31 – 60 days	8,977	1,971	3,512	2,014
61 – 90 days	6,344	5,547	1,862	3,730
91 – 180 days	3,592	1,363	5,592	7,668
Over 180 days	–	3,580	3,169	–
	56,995	46,749	44,845	46,126

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the respective balance sheet dates:

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	3,759	4,714	9,333	12,813
31 – 60 days	1,315	1,535	2,327	1,756
61 – 180 days	882	1,464	605	647
Over 180 days	284	891	104	131
	6,240	8,604	12,369	15,347

13. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed repayment terms. All the amounts will be settled upon the completion of the Acquisition.

Amount due to immediate holding company, SNP Corporation Ltd

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade	2,395	3,629	7,964	9,487
Non-trade	166	138	152	–
	2,561	3,767	8,116	9,487

Amounts due to fellow subsidiaries

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade	–	–	28	3
Non-trade	–	36	–	–
	–	36	28	3

14. BANK BORROWINGS

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	5,890	1,326	–	316
Bank loans	26,855	24,905	9,078	7,563
Trust receipt loans	1,833	1,634	2,662	4,408
	34,578	27,865	11,740	12,287
Secured	10,231	16,614	5,342	5,252
Unsecured	24,347	11,251	6,398	7,035
	34,578	27,865	11,740	12,287
The amount is repayable as follows:				
Within one year	29,105	23,666	11,223	12,287
In the second year	4,366	2,835	517	–
In the third to fifth year	1,107	1,364	–	–
	34,578	27,865	11,740	12,287
Less: Amount due within one year shown under current liabilities	(29,105)	(23,666)	(11,223)	(12,287)
Amount due after one year	5,473	4,199	517	–

Certain banking facilities of the Company are secured by the assets of the Company as disclosed in note 22 and are also secured by the guarantee from a group company as disclosed in note 23. Such guarantee will be released upon the completion of the Acquisition.

15. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December,			As at 31 Mach,	As at 31 December,			As at 31 March,
	2001	2002	2003	2004	2001	2002	2003	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases:								
Within one year	1,129	123	44	11	1,082	115	42	10
In the second to fifth year inclusive	160	42	–	–	150	39	–	–
	1,289	165	44	11	1,232	154	42	10
Less: Future finance charges	(57)	(11)	(2)	(1)	N/A	N/A	N/A	N/A
Present value of lease obligations	1,232	154	42	10	1,232	154	42	10
Less: Amount due within one year shown under current liabilities					(1,082)	(115)	(42)	(10)
Amount due after one year					150	39	–	–

It is the Company's policy to lease certain of its plant and machinery under finance leases. The lease terms range from 3 to 4.5 years. For the three months ended 31 March, 2004, the effective borrowing rate was 7% (1.1.2003 to 31.12.2003: 7% to 14.5%; 1.1.2002 to 31.12.2002: 7% to 14.5%; 1.1.2001 to 31.12.2001: 7% to 14.5%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Company's obligations under finance leases are secured by the lessors' charge over the leased assets.

16. OTHER PAYABLE – DUE AFTER ONE YEAR

The amount represented the payable for purchase of plant and machinery during the year ended 31 December, 2001 which was repaid in 2003.

17. LOAN FROM IMMEDIATE HOLDING COMPANY

The loan is unsecured and bears interest at 2.5% to 5% per annum. There will be no fixed schedule for the repayment of the loan but the loan should be fully repaid within a period not exceeding five years from the date of the loan granted in accordance with the loan agreements dated 25 January, 2000 and 27 June, 2001.

The loan will be settled upon the completion of the Acquisition.

18. SHARE CAPITAL

	As at 31 December, 2001, 2002 and 2003 and 31 March, 2004	
	Number of shares	*Baht'000*
Authorised, issued and fully paid:		
Ordinary shares of Baht 10 each	10,780,000	107,800
Preference shares of Baht 10 each	11,220,000	112,200
	22,000,000	220,000

	As at 31 December,			As at 31 March,
	2001	2002	2003	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Shown in the accountants' report as	38,779	39,716	43,101	43,651

The holders of preference shares are eligible to receive dividend at the fixed rate at Baht 4.5 per share per annum and have preferred rights to receive dividend and the capital repayment before ordinary shareholders. However, the right to receive dividend is non-cumulative.

In the shareholders' meeting, the holders of preference shares have the rights of voting of one vote per one hundred preference shares held.

19. SHARE OPTION SCHEME

Pursuant to the immediate holding company's executive share option scheme (the "Scheme") adopted on 28 March, 2001, which was designed to replace the SNP (1999) Executives' Share Option Scheme (the "Previous Scheme"), the directors and employees of the Company may, at the discretion of the immediate holding company's directors, be granted options to subscribe for shares of the immediate holding company. The subscription price of shares under the Scheme is determined by the directors of the immediate holding company, to be either, a price which is equal to the volume-weighted average price of the immediate holding company's shares for the three consecutive trading days immediately preceding the date of grant or a price which is set at a discount to the market price, provided that the maximum discount which may be given in respect of any option shall not exceed 20 per cent of the market price of that option. The subscription price shall, in no event, be less than the nominal value of the immediate holding company's shares.

The Scheme will remain in force for a period of ten years from the date of its adoption. An option may be exercised at any time after the date which is one year after the date of grant.

The Previous Scheme is due to expire on 30 March, 2009 and was terminated after the adoption of the Scheme. The termination of the Previous Scheme and the adoption of the Scheme did not affect the rights of the holders of outstanding options under the Previous Scheme.

		Number of share options												
	Exercise price	Balance at 1.1.2001	Granted during the year	Exercised during the year	Balance at 31.12.2001	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2002	Granted during the year	Exercised during the year	Balance at 31.12.2003	Exercised during the period	Balance at 31.3.2004
	SG$													
Directors:														
Ms. Koo Tse Chia	0.75	40,000	–	–	40,000	–	–	(40,000)	–	–	–	–	–	–
	0.50	60,000	–	–	60,000	–	–	–	60,000	–	(20,000)	40,000	(20,000)	20,000
	1.37	70,000	–	–	70,000	–	–	–	70,000	–	–	70,000	–	70,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	–	30,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	–	30,000
	0.69	–	–	–	–	50,000	–	–	50,000	–	–	50,000	–	50,000
	0.61	–	–	–	–	50,000	–	–	50,000	–	–	50,000	–	50,000
	0.59	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
	1.29	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
Mr. Tan Jin Yan	0.50	15,000	–	–	15,000	–	–	–	15,000	–	–	15,000	–	15,000
	1.37	35,000	–	–	35,000	–	–	–	35,000	–	–	35,000	–	35,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	(15,000)	15,000
	0.50	–	30,000	–	30,000	–	–	–	30,000	–	–	30,000	(15,000)	15,000
	0.69	–	–	–	–	50,000	–	–	50,000	–	–	50,000	(12,500)	37,500
	0.61	–	–	–	–	50,000	–	–	50,000	–	–	50,000	(12,500)	37,500
	0.59	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
	1.29	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
Mr. Yeo Chee Tong	0.50	20,000	–	(20,000)	–	–	–	–	–	–	–	–	–	–
	0.50	80,000	–	–	80,000	–	(60,000)	–	20,000	–	(20,000)	–	–	–
	1.37	90,000	–	–	90,000	–	–	–	90,000	–	(90,000)	–	–	–
	0.50	–	40,000	–	40,000	–	–	–	40,000	–	–	40,000	–	40,000
	0.50	–	40,000	–	40,000	–	–	–	40,000	–	–	40,000	–	40,000
	0.69	–	–	–	–	80,000	–	–	80,000	–	–	80,000	–	80,000
	0.61	–	–	–	–	80,000	–	–	80,000	–	–	80,000	–	80,000
	0.59	–	–	–	–	–	–	–	–	80,000	–	80,000	–	80,000
	1.29	–	–	–	–	–	–	–	–	80,000	–	80,000	–	80,000
Mr. Foong Kee Loon	1.37	14,000	–	–	14,000	–	–	–	14,000	–	–	14,000	–	14,000
	0.50	–	20,000	–	20,000	–	–	–	20,000	–	–	20,000	(10,000)	10,000
	0.50	–	20,000	–	20,000	–	–	–	20,000	–	–	20,000	(10,000)	10,000
	0.69	–	–	–	–	20,000	–	–	20,000	–	–	20,000	–	20,000
	0.61	–	–	–	–	20,000	–	–	20,000	–	–	20,000	–	20,000
	0.59	–	–	–	–	–	–	–	–	20,000	–	20,000	–	20,000
	1.29	–	–	–	–	–	–	–	–	20,000	–	20,000	–	20,000
		424,000	240,000	(20,000)	644,000	400,000	(60,000)	(40,000)	944,000	400,000	(130,000)	1,214,000	(95,000)	1,119,000
Other employees	0.50	10,000	–	–	10,000	–	–	–	10,000	–	(10,000)	–	–	–
	1.37	120,000	–	–	120,000	–	–	–	120,000	–	–	120,000	–	120,000
	0.50	–	23,000	–	23,000	–	–	–	23,000	–	(2,000)	21,000	(3,750)	17,250
	0.50	–	26,750	–	26,750	–	–	–	26,750	–	(2,000)	24,750	(7,500)	17,250
	0.69	–	–	–	–	15,000	–	–	15,000	–	–	15,000	–	15,000
	0.61	–	–	–	–	15,000	–	–	15,000	–	(1,000)	14,000	–	14,000
	0.59	–	–	–	–	–	–	–	–	15,000	–	15,000	–	15,000
	1.29	–	–	–	–	–	–	–	–	15,000	–	15,000	–	15,000
		554,000	289,750	(20,000)	823,750	430,000	(60,000)	(40,000)	1,153,750	430,000	(145,000)	1,438,750	(106,250)	1,332,500

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price
		SG$
1 October, 1997	1 October, 1998 to 1 October, 2002	0.75
30 September, 1998	30 September, 1999 to 30 September, 2003	0.50
13 April, 1999	14 April, 2000 to 12 April, 2009	0.50
29 March, 2000	30 March, 2001 to 28 March, 2010	1.37
23 April, 2001	23 April, 2002 to 22 April, 2011	0.50
11 October, 2001	11 October, 2002 to 10 October, 2011	0.50
17 April, 2002	17 April, 2003 to 16 April, 2012	0.69
23 October, 2002	23 October, 2003 to 22 October, 2012	0.61
15 April, 2003	15 April, 2004 to 14 April, 2013	0.59
15 October, 2003	15 October, 2004 to 14 October, 2013	1.29

The weighted average closing prices of the immediate holding company's shares on the dates in which the share options were exercised approximately SG$0.530 in the year ended 31 December, 2001, ranged from SG$0.620 to SG$0.665 in the year ended 31 December, 2002, ranged from SG$0.610 to SG$1.440 in the year ended 31 December, 2003 and ranged from SG$1.268 to SG$1.336 in the three months ended 31 March, 2004.

20. MAJOR NON-CASH TRANSACTION

As explained in note 16, the Company purchased plant and machinery of approximately HK$4,690,000 during the year ended 31 December, 2001 which was repaid in 2003.

21. OPERATING LEASE COMMITMENTS

The Company as lessee

Minimum lease payments paid under operating leases:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Premises	267	381	389	106

At the respective balance sheet dates, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	86	236	245	238
In the second to fifth year inclusive	–	480	272	238
	86	716	517	476

Operating lease payments represent rentals payable by the Company for certain of its offices and warehouses. Leases are negotiated for the terms ranged from one to four years with fixed rentals.

22. PLEDGE OF ASSETS

At the balance sheet dates, the following assets were pledged to banks to secure general banking facilities granted to the Company.

	As at 31 December,			As at 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits	3,812	–	–	–
Property, plant and equipment	11,141	10,674	10,718	10,636
	14,953	10,674	10,718	10,636

23. RELATED PARTY DISCLOSURES

(I) Related party transactions

The Company had entered into the following transactions with related parties:

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Immediate holding company				
– Management fee paid *(note i)*	3,689	1,776	4,045	1,152
– Interest paid *(note ii)*	185	109	100	21
– Sundry cost paid *(note i)*	–	–	49	1
– Staff costs reimbursement *(note i)*	–	126	–	–
– Sales of finished goods *(note i)*	–	47	–	–
A fellow subsidiary				
– Sales of finished goods *(note i)*	–	624	307	–
– Purchases of materials *(note i)*	–	195	–	13
– Sub-processing charge received *(note i)*	–	–	46	–
– Purchases of machinery *(note i)*	–	166	714	14

Notes:

(i) In the opinion of the directors, all of the above transactions were carried out in the ordinary course of business of the Company and were charged at a pre-agreed rate.

(ii) Interest is charged on loan from immediate holding company at 2.5% to 5% per annum. Details are set out in note 17.

The Company will cease to pay management fee and, interest to its immediate holding company upon the completion of the Acquisition.

(II) Related party balances

Details of balances with related parties as at the respective balance sheet dates are set out on the balance sheets and in notes 13 and 17.

(III) Banking facilities

In addition to the pledge of the Company's assets as set out in note 22, certain of the Company's banking facilities as at the respective balance sheet dates were also secured by the guarantee from the immediate holding company amounting to approximately HK$127 million (31.12.2003: HK$129 million; 31.12.2002: HK$118 million; 31.12.2001: HK$86 million). Such guarantee will be released upon the completion of the Acquisition.

24. SEGMENTAL INFORMATION

Business segments

The Company is engaged solely in the production of children's books in Thailand. Accordingly, no analyses by business segment is provided.

Geographical segments

The Group's operations are located in Thailand.

The following table provides an analysis of the Company's sales by geographical market, irrespective of the origin of the goods.

	Year ended 31 December, 2001				
	North America	**Europe**	**Asia**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	72,537	25,307	8,742	2,746	109,332
RESULTS					
Segment results	14,853	4,555	874	276	20,558
Other operating income					5,136
Unallocated corporate expenses					(13,877)
Profit from operations					11,817
Finance costs					(2,295)
Profit before taxation					9,522
Taxation					(16)
Profit for the year					9,506

	Year ended 31 December, 2002				
	North America	Europe	Asia	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	56,608	27,465	10,313	3,610	97,996
RESULTS					
Segment results	3,875	2,689	1,165	428	8,157
Other operating income					1,840
Unallocated corporate expenses					(13,508)
Loss from operations					(3,511)
Finance costs					(2,090)
Loss before taxation					(5,601)
Taxation					–
Loss for the year					(5,601)
OTHER INFORMATION					
Allowances for bad and doubtful debts	450	119	–	–	569

	Year ended 31 December, 2003				
	North America	Europe	Asia	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	59,907	33,806	13,045	2,149	108,907
RESULTS					
Segment results	14,378	7,099	1,957	351	23,785
Other operating income					2,866
Unallocated corporate expenses					(16,516)
Profit from operations					10,135
Finance costs					(1,075)
Profit before taxation					9,060
Taxation					(569)
Profit for the year					8,491
OTHER INFORMATION					
Allowances for bad and doubtful debts	468	906	–	–	1,374

	Three months ended 31 March, 2004				
	North America	Europe	Asia	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	17,034	4,752	1,595	723	24,104
RESULTS					
Segment results	2,790	984	168	108	4,050
Other operating income					710
Unallocated corporate expenses					(3,448)
Profit from operations					1,312
Finance costs					(129)
Profit before taxation					1,183
Taxation					(79)
Profit for the period					1,104
OTHER INFORMATION					
Allowances for bad and doubtful debts	3	442	7	1	453

An analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located has not been presented as they are substantially located in Thailand in which the assets are located.

B. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Company is Temasek Holdings (Pte) Ltd, a company incorporated in Singapore.

C. DIRECTORS' REMUNERATION

Save as disclosed in this respect, no remuneration was paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Relevant Periods.

Details of the aggregate remuneration of the Company's directors for the year ending 31 December, 2004 under the arrangement presently in force are set out in the paragraph headed "Service contract" in Appendix IX to the Circular.

D. SUBSEQUENT EVENTS

No significant events were noted subsequent to 31 March, 2004.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 31 March, 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

14 August, 2004

The Directors
SNP Leefung Holdings Limited
CTT & Associates Limited
Tai Fook Capital Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding CTT & Associates Limited (the "Company"), for each of the three years ended 31 December, 2001, 2002 and 2003 and the three months ended 31 March, 2004 (the "Relevant Periods"), for inclusion in the circular of SNP Leefung Holdings Limited dated 14 August, 2004 (the "Circular"), issued in connection with the proposed acquisition of the Company (the "Acquisition").

The Company was incorporated in Thailand with limited liability.

The financial statements of the Company which were prepared in accordance with the relevant accounting rules and financial regulations applicable to companies established under the law of Thailand, were audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., certified public accountants registered in Thailand, a member firm of Deloitte Touche Tohmatsu.

We have examined the audited financial statements of the Company in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The Financial Information of the Company for the Relevant Periods set out in this report has been prepared based on the audited financial statements of the Company in respect of which no material adjustment was required to be made in preparing the Financial Information in conformity with accounting principles generally accepted in Hong Kong (the "Underlying Financial Statements").

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of SNP Leefung Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December, 2001, 31 December, 2002 and 31 December, 2003 and 31 March, 2004 and of the results and cash flows of the Company for the Relevant Periods.

A. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December,			Three months ended 31 March,
		2001	2002	2003	2004
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover		171	61	210	–
Administrative expenses		(14)	(22)	(17)	(4)
Profit (loss) before taxation	*4*	157	39	193	(4)
Taxation (charge) credit	*5*	–	(6)	2	–
Profit (loss) for the year/period		157	33	195	(4)
Dividends	*6*	146	35	206	–
Earnings (loss) per share – basic	*7*	0.03	0.01	0.04	–

BALANCE SHEETS

		As at 31 December,			As at 31 March,
		2001	**2002**	**2003**	**2004**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET					
Investments in securities	*8*	17,982	21,050	22,843	23,133
CURRENT ASSETS					
Tax recoverable		–	–	2	–
Cash balance		64	55	64	25
		64	55	66	25
CURRENT LIABILITIES					
Other payables		29	22	41	4
Amount due to immediate holding company	*9*	–	2,633	2,857	2,894
		29	2,655	2,898	2,898
NET CURRENT ASSETS (LIABILITIES)		35	(2,600)	(2,832)	(2,873)
TOTAL ASSETS LESS CURRENT LIABILITIES		18,017	18,450	20,011	20,260
CAPITAL AND RESERVES					
Share capital	*10*	176	180	196	198
Reserves		17,841	18,270	19,815	20,062
		18,017	18,450	20,011	20,260

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
At 1 January, 2001	180	18,133	18	6	18,337
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	(4)	(328)	–	1	(331)
Profit for the year	–	–	–	157	157
Interim dividend	–	–	–	(146)	(146)
At 31 December, 2001	176	17,805	18	18	18,017
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	4	431	–	–	435
Profit for the year	–	–	–	33	33
Interim dividend	–	–	–	(35)	(35)
At 31 December, 2002	180	18,236	18	16	18,450
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	16	1,554	2	–	1,572
Profit for the year	–	–	–	195	195
Interim dividend	–	–	–	(206)	(206)
At 31 December, 2003	196	19,790	20	5	20,011
Exchange difference arising on translation of operations outside Hong Kong not recognised in income statements	2	252	–	(1)	253
Loss for the period	–	–	–	(4)	(4)
At 31 March, 2004	198	20,042	20	–	20,260

Note: According to the Civil and Commercial Code of Thailand, the Company must appropriate to a reserve fund at each distribution of dividend at least one-twentieth of the profit arising from the business of the Company until the reserve fund reaches one-tenth of the share capital of the Company. Such reserve fund is not available for distribution as dividend until the Company is finally wound up.

CASH FLOW STATEMENTS

	Year ended 31 December, 2001	Year ended 31 December, 2002	Year ended 31 December, 2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Profit (loss) before taxation	157	39	193	(4)
Increase (decrease) in other payables	1	(8)	18	(37)
Cash generated from operations	158	31	211	(41)
Corporate income tax (paid) refunded	–	(6)	–	2
NET CASH FROM (USED IN) OPERATING ACTIVITIES	158	25	211	(39)
CASH USED IN FINANCING ACTIVITY				
Dividend paid	(146)	(35)	(206)	–
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12	(10)	5	(39)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	53	64	55	64
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1)	1	4	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, representing cash balance	64	55	64	25

Notes:

1. GENERAL

CCT & Associates Limited (the "Company") was established on 1 April, 1999 under the law of Thailand. The Company acts as an investment holding company.

The Company's books and records are maintained in Thailand Baht, the currency in which the majority of the Company's transactions are denominated. For presentation purpose, the assets and liabilities of the Company are translated to Hong Kong dollars at the exchange rates prevailing on each balance sheet date. Income and expenses items are translated at the average exchange rates for the period.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial information have been prepared on a going concern basis because the immediate holding company has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the following principal accounting policies which were conforming with accounting principles generally accepted in Hong Kong.

Turnover

Turnover represents dividend income received and receivable during the period.

Revenue recognition

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investments in securities

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost, as reduced by any impairment loss that is other than temporary.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

Transactions in currencies other than Baht are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

The assets and liabilities of the Company's operations denominated in Baht are translated to Hong Kong dollars at the rates ruling on the balance sheet date. Income and expense items denominated in Baht are translated to Hong Kong dollars at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Company's exchange reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 December,			Three months ended 31 March,
	2001	**2002**	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:				
Auditors' remuneration	14	22	16	–
Directors' emoluments	–	–	–	–

All the staff costs were borne by immediate holding company.

5. TAXATION CHARGE (CREDIT)

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Corporate income tax in Thailand:				
Current year/period	–	6	–	–
Overprovision in prior year	–	–	(2)	–
	–	6	(2)	–

Corporate income tax is calculated at the rates of 30% prevailing in Thailand.

The charge (credit) for the Relevant Periods can be reconciled to the profit (loss) per income statement as follows:

	Year ended 31 December, 2001		2002		2003		Three months ended 31 March, 2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit (loss) before taxation	157		39		193		(4)	
Tax at the corporate income tax rate of 30%	47	30.0	12	30.0	58	30.0	(1)	(30.0)
Tax effect of expenses that are not deductible in determining taxable profit	–	–	–	–	–	–	1	30.0
Overprovision in prior year	–	–	–	–	(2)	(1.0)	–	–
Effect of tax exemptions granted to the Company	(47)	(30.0)	(6)	(15.0)	(58)	(30.0)	–	–
Tax expense and effective tax rate of the year/period	–	–	6	15.0	(2)	(1.0)	–	–

The Company received dividend income from SNP SPrint (Thailand) Co., Ltd. ("SNP SPrint") (formerly known as SNP Sirivatana Co., Ltd.) with an exemption of corporate income tax on dividends in 2001 and 2003. In 2002, the Company received dividend income with an exemption of corporate income tax on dividends at 50%.

No provision for corporate income tax in Thailand has been made in financial statements as the Company incurred a loss for the period ended 31 March, 2004.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

6. DIVIDENDS

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interim dividends for preference shareholders of HK$0.789, HK$0.816, HK$0.843 and nil, respectively, per preference share	4	4	4	–
Interim dividends for ordinary shareholders of HK$28.915, HK$6.344, HK$41.231 and nil, respectively, per ordinary share	142	31	202	–
	146	35	206	–

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the following data:

	Year ended 31 December, 2001	2002	2003	Three months ended 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit (loss) for the year/period	157	33	195	(4)
Dividends on preference shares	(4)	(4)	(4)	–
Earnings (loss) for the purposes of basic earnings (loss) per share	153	29	191	(4)
Weighted average number of ordinary shares	4,900	4,900	4,900	4,900

Diluted earnings per share has not been presented for the Relevant Periods as the Company has no potential dilutive shares outstanding during the Relevant Periods.

8. INVESTMENTS IN SECURITIES

	As at 31 December, 2001	2002	2003	As at 31 March, 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity securities in Thailand, at cost	17,982	21,050	22,843	23,133

The Company held 11,219,996 (31.12.2003: 11,219,996; 31.12.2002: 11,219,996; 31.12.2001: 9,761,398) preference shares and 440,000 (31.12.2003: 440,000; 31.12.2002: 440,000; 31.12.2001: 440,000) ordinary shares of SNP SPrint, a company incorporated in Thailand and engaged in production of children's books. The holders of preference shares have the rights of voting of one vote per one hundred preference shares held in the shareholders' meeting. The total voting rights in SNP SPrint held by the Company is 5.07% (31.12.2003: 5.07%; 31.12.2002: 5.07%; 31.12.2001: 4.94%).

9. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest free and has no fixed terms of repayment. The amount will be settled upon the completion of the Acquisition.

10. SHARE CAPITAL

	As at 31 December, 2001, 2002, 2003 and 31 March, 2004	
	Number of shares	*Baht'000*
Authorised, issued and fully paid:		
Ordinary shares of Baht 100 each	4,900	490
Preference shares of Baht 100 each	5,100	510
	10,000	1,000

	As at 31 December,			As at 31 March,
	2001	2002	2003	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Shown in the accountants' report as	176	180	196	198

The holders of preference shares are eligible to receive dividend at the fixed rate at Baht4.5 per share per annum and have preferred rights to receive dividend and the capital repayment before ordinary shareholders. However, the right to receive dividend is non-cumulative.

In the shareholders' meeting, the holders of preference shares have the rights of voting of one vote per one hundred preference shares held.

11. SHARE OPTION SCHEME

Pursuant to the immediate holding company's executive share option scheme (the "Scheme") adopted on 28 March, 2001, which was designed to replace the SNP (1999) Executives' Share Option Scheme (the "Previous Scheme"), the directors and employees of the Company may, at the discretion of the immediate holding company's directors, be granted options to subscribe for shares of the immediate holding company. The subscription price of shares under the Scheme is determined by the directors of the immediate holding company, to be either, a price which is equal to the volume-weighted average price of the immediate holding company's shares for the three consecutive trading days immediately preceding the date of grant or a price which is set at a discount to the market price, provided that the maximum discount which may be given in respect of any option shall not exceed 20 per cent of the market price of that option. The subscription price shall, in no event, be less than the nominal value of the immediate holding company's shares.

The Scheme will remain in force for a period of ten years from the date of its adoption. An option may be exercised at any time after the date which is one year after the date of grant.

The Previous Scheme is due to expire on 30 March, 2009 and was terminated after the adoption of the Scheme. The termination of the Previous Scheme and the adoption of the Scheme did not affect the rights of the holders of outstanding options under the Previous Scheme.

	Exercise price *SG$*	Balance at 1.1.2001	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2001	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2002	Granted during the year	Exercised during the year	Balance at 31.12.2003	Exercised during the period	Balance at 31.3.2004
		Number of share options													
Directors:															
Ms. Koo Tse Chia	0.75	40,000	–	–	–	40,000	–	–	(40,000)	–	–	–	–	–	–
	0.50	60,000	–	–	–	60,000	–	–	–	60,000	–	(20,000)	40,000	(20,000)	20,000
	1.37	70,000	–	–	–	70,000	–	–	–	70,000	–	–	70,000	–	70,000
	0.50	–	30,000	–	–	30,000	–	–	–	30,000	–	–	30,000	–	30,000
	0.50	–	30,000	–	–	30,000	–	–	–	30,000	–	–	30,000	–	30,000
	0.69	–	–	–	–	–	50,000	–	–	50,000	–	–	50,000	–	50,000
	0.61	–	–	–	–	–	50,000	–	–	50,000	–	–	50,000	–	50,000
	0.59	–	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
	1.29	–	–	–	–	–	–	–	–	–	50,000	–	50,000	–	50,000
Mr. Yeo Chee Tong	0.50	20,000	–	(20,000)	–	–	–	–	–	–	–	–	–	–	–
	0.50	80,000	–	–	–	80,000	–	(60,000)	–	20,000	–	(20,000)	–	–	–
	1.37	90,000	–	–	–	90,000	–	–	–	90,000	–	(90,000)	–	–	–
	0.50	–	40,000	–	–	40,000	–	–	–	40,000	–	–	40,000	–	40,000
	0.50	–	40,000	–	–	40,000	–	–	–	40,000	–	–	40,000	–	40,000
	0.69	–	–	–	–	–	80,000	–	–	80,000	–	–	80,000	–	80,000
	0.61	–	–	–	–	–	80,000	–	–	80,000	–	–	80,000	–	80,000
	0.59	–	–	–	–	–	–	–	–	–	80,000	–	80,000	–	80,000
	1.29	–	–	–	–	–	–	–	–	–	80,000	–	80,000	–	80,000
		360,000	140,000	(20,000)	–	480,000	260,000	(60,000)	(40,000)	640,000	260,000	(130,000)	770,000	(20,000)	750,000

Details of specific categories of options are as follows:

Date of grant	**Exercise period**	**Exercise price** *SG$*
1 October, 1997	1 October, 1998 to 1 October, 2002	0.75
30 September, 1998	30 September, 1999 to 30 September, 2003	0.50
13 April, 1999	14 April, 2000 to 12 April, 2009	0.50
29 March, 2000	30 March, 2001 to 28 March, 2010	1.37
23 April, 2001	23 April, 2002 to 22 April, 2011	0.50
11 October, 2001	11 October, 2002 to 10 October, 2011	0.50
17 April, 2002	17 April, 2003 to 16 April, 2012	0.69
23 October, 2002	23 October, 2003 to 22 October, 2012	0.61
15 April, 2003	15 April, 2004 to 14 April, 2013	0.59
15 October, 2003	15 October, 2004 to 14 October, 2013	1.29

The weighted average closing prices of the immediate holding company's shares on the dates in which the share options were exercised were SG$0.530 in the year ended 31 December, 2001, ranged from SG$0.620 to SG$0.665 in the year ended 31 December, 2002, ranged from SG$0.610 to SG$1.440 in the year ended 31 December, 2003 and ranged from SG$1.268 to SG$1.336 in the period ended 31 March 2004.

12. MAJOR NON-CASH TRANSACTION

During the year ended 31 December, 2002, the Company acquired additional interest in SNP SPrint at a consideration of HK$2,633,000 (equivalent to Baht14,585,980) from SNP Corporation Ltd, the immediate holding company and the amount had not been paid.

13. RELATED PARTY TRANSACTIONS

(I) Related party transaction

As disclosed in note 12, the Company acquired additional interest in SNP SPrint from SNP Corporation Ltd during the year ended 31 December, 2002.

(II) Related party balance

Details of balance with related party as at the respective balance sheet dates are set out on the balance sheet and in note 9.

14. SEGMENTAL INFORMATION

The Company solely acts as an investment holding company in Thailand. Accordingly, no analyses by business segment is provided.

Over 90% of the activities of the Company during the Relevant Periods were carried out in Thailand and over 90% of the assets of the Company were located in Thailand. Accordingly, a geographical analysis is not presented.

B. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Company is Temasek Holdings (Pte) Ltd, a company incorporated in Singapore.

C. DIRECTORS' REMUNERATION

No remuneration was paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Relevant Periods.

Details of the aggregate remuneration of the Company's directors for the year ending 31 December, 2004 under the arrangement presently in force are set out in the paragraph headed "Service contract" in Appendix IX to the Circular.

D. SUBSEQUENT EVENTS

No significant events were noted subsequent to 31 March, 2004.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 31 March, 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

14 August, 2004

The Directors
SNP Leefung Holdings Limited

Dear Sirs,

We report on the Proforma Combined Financial Information ("Proforma Combined Financial Information") set out in Appendix V of the circular of SNP Leefung Holdings Limited (the "Company") dated 14 August, 2004 (the "Circular"), which has been prepared, for illustrative purposes only, to provide information about how the proposed acquisition of SNP Excel United Company Limited, SNP SPrint (Thailand) Co., Ltd. and CTT & Associates Limited by the Company (the "Acquisition") resulting in the formation of an enlarged group (the "Enlarged Group") described in the section headed "Letter from the Board" of the Circular might have affected the financial information presented.

RESPONSIBILITIES

It is the responsibility solely of the Directors of the Company to prepare the Proforma Combined Financial Information in accordance with the basis of preparation described in note 1 to the Proforma Combined Financial Information and Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Proforma Combined Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Proforma Combined Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on proforma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Proforma Combined Financial Information with the Directors of the Company.

Our work does not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, and accordingly, we do not express any audit assurance on the Proforma Combined Financial Information.

The Proforma Combined Financial Information has been prepared for illustrative purposes based on the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2003 as set out in Appendix III to the Circular, the Accountants' Report of SNP Excel United Company Limited as set out in Appendix IV(A) to the Circular, the Accountants' Report of SNP SPrint (Thailand) Co., Ltd. as set out in Appendix IV(B) to the Circular and the Accountants' Report of CTT & Associates Limited as set out in Appendix IV(C) to the Circular, because of its nature, it may not give an indication of the financial position or results of the Enlarged Group:

(a) had the Acquisition actually occurred at the start of the year ended 31 December, 2003; or

(b) for any future periods.

Opinion

In our opinion:

(a) the Proforma Combined Financial Information has been properly compiled on the basis set out in note 1 to the Proforma Combined Financial Information;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the Proforma Combined Financial Information as disclosed pursuant to Rule 4.29 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The Proforma Combined Financial Information ("Proforma Combined Financial Information") is set out below, which has been prepared, for illustrative purposes only, to provide information about how the proposed acquisition of SNP Excel United Company Limited, SNP SPrint (Thailand) Co., Ltd. and CTT & Associates Limited by the Company (the "Acquisition") resulting in the formation of an enlarged group (the "Enlarged Group") described in the section headed "Letter from the Board" of the Circular might have affected the financial information presented.

PROFORMA COMBINED FINANCIAL INFORMATION

Proforma Combined Income Statement of the Enlarged Group for the year ended 31 December, 2003

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments		Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note 3*	*HK$'000*
Turnover	734,586	355,815	108,907	210	1,199,518	(585)	*A, B & C*	1,198,933
Cost of sales	(573,076)	(255,502)	(85,122)	–	(913,700)	421	*A*	(913,279)
Gross profit	161,510	100,313	23,785	210	285,818	(164)		285,654
Other operating income	4,235	6,779	2,866	–	13,880	(46)	*B*	13,834
Distribution costs	(46,886)	(45,154)	(5,337)	–	(97,377)	–		(97,377)
Administrative expenses	(72,217)	(17,181)	(11,179)	(17)	(100,594)	–		(100,594)
Surplus on revaluation of investment properties	960	–	–	–	960	–		960
Loss on disposal of investment properties	(951)	–	–	–	(951)	–		(951)
Loss on disposal of property, plant and equipment	(268)	–	–	–	(268)	–		(268)
Impairment loss recognised in respect of plant and machinery	(13,370)	–	–	–	(13,370)	–		(13,370)
Amortisation of goodwill arising from the acquisition of subsidiaries	–	–	–	–	–	(20,587)	*D*	(20,587)
Profit from operations	33,013	44,757	10,135	193	88,098	(20,797)		67,301
Finance costs	(3,459)	(2,163)	(1,075)	–	(6,697)	(6,600)	*E*	(13,297)
Share of results of associates	4,849	–	–	–	4,849	–		4,849
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	–	(403)	–		(403)
Profit before taxation	34,000	42,594	9,060	193	85,847	(27,397)		58,450
Taxation (charge) credit	(11,220)	(8,461)	(569)	2	(20,248)	–		(20,248)
Profit after taxation	22,780	34,133	8,491	195	65,599	(27,397)		38,202
Minority interests	(283)	–	–	–	(283)	(6)	*F & G*	(289)
Net profit for the year	22,497	34,133	8,491	195	65,316	(27,403)		37,913
Dividends								
Interim	8,055	70	210	206	8,541	(210)	*C*	8,331
Proposed final	12,082	–	–	–	12,082	–		12,082
	20,137	70	210	206	20,623	(210)		20,413

Proforma Combined Balance Sheet of the Enlarged Group as at 31 December, 2003

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments		Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note 3*	*HK$'000*
Non-current assets								
Investment properties	10,420	–	–	–	10,420			10,420
Property, plant and equipment	530,152	94,855	28,622	–	653,629			653,629
Negative goodwill	–	(258)	–	–	(258)			(258)
Other assets	–	380	–	–	380			380
Goodwill	–	–	–	–	–	185,286	*D & H*	185,286
Investments in securities	–	–	–	22,843	22,843	(22,843)	*H*	–
Interests in associates	81,386	–	–	–	81,386			81,386
	621,958	94,977	28,622	22,843	768,400	162,443		930,843
Current assets								
Inventories	111,538	34,967	21,307	–	167,812			167,812
Trade and other receivables	280,141	108,851	51,801	–	440,793			440,793
Amounts due from SNP Group	–	40,634	–	–	40,634	(283)	*I*	40,351
Tax recoverable	–	–	–	2	2			2
Bank balances and cash	80,760	39,462	9,366	64	129,652	(80,700)	*E & H*	48,952
	472,439	223,914	82,474	66	778,893	(80,983)		697,910
Current liabilities								
Trade and other payables	156,993	61,458	15,549	41	234,041			234,041
Tax liabilities	8,262	14,610	311	–	23,183			23,183
Amounts due to SNP Group	1,545	14,842	8,144	2,857	27,388	(283)	*I*	27,105
Amount due to a related company	–	16	–	–	16			16
Amounts due to associates	17,861	–	–	–	17,861			17,861
Obligations under finance leases — due within one year	–	1,660	42	–	1,702			1,702
Bank borrowings — due within one year	47,000	13,333	11,223	–	71,556			71,556
	231,661	105,919	35,269	2,898	375,747	(283)		375,464
Net current assets (liabilities)	240,778	117,995	47,205	(2,832)	403,146	(80,700)		322,446
Total assets less current liabilities	862,736	212,972	75,827	20,011	1,171,546	81,743		1,253,289

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments		Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note 3*	*HK$'000*
Non-current liabilities								
Bank borrowings — due after one year	125,000	26,667	517	–	152,184	330,000	*H*	482,184
Deferred tax liabilities	13,605	6,888	–	–	20,493			20,493
Obligations under finance leases — due after one year	–	2,623	–	–	2,623			2,623
Amount due to SNP Group	–	–	3,361	–	3,361			3,361
	138,605	36,178	3,878	–	178,661	330,000		508,661
Minority interest	2,410	–	–	–	2,410	250	*H*	2,660
	721,721	176,794	71,949	20,011	990,475	(248,507)		741,968
Capital and reserves								
Share capital	40,273	7,000	43,101	196	90,570	(50,297)	*H*	40,273
Reserves	681,448	169,794	28,848	19,815	899,905	(198,210)	*D, E, F, G & H*	701,695
	721,721	176,794	71,949	20,011	990,475	(248,507)		741,968

Proforma Combined Cash Flow Statement of the Enlarged Group for the year ended 31 December, 2003

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments		Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note 3*	*HK$'000*
OPERATING ACTIVITIES								
Profit from operations	33,013	44,757	10,135	193	88,098	(20,797)	*C & D*	67,301
Adjustments for:								
Surplus on revaluation of investment properties	(960)	–	–	–	(960)			(960)
Depreciation and amortisation	45,617	13,507	3,725	–	62,849			62,849
Impairment loss recognised in respect of plant and machinery	13,370	–	–	–	13,370			13,370
Interest income	(848)	(679)	(12)	–	(1,539)			(1,539)
Loss on disposal of investment properties	951	–	–	–	951			951
Loss (gain) on disposal of property, plant and equipment	268	(739)	(5)	–	(476)			(476)
Negative goodwill released to income	–	(148)	–	–	(148)			(148)
Amortisation of goodwill arising from acquisition of subsidiaries	–	–	–	–	–	20,587	*D*	20,587
Operating cash flows before movements in working capital	91,411	56,698	13,843	193	162,145	(210)		161,935
(Increase) decrease in inventories	(14,804)	7,672	(636)	–	(7,768)			(7,768)
(Increase) decrease in trade and other receivables	(5,023)	(6,445)	6,944	–	(4,524)			(4,524)
Increase (decrease) in trade and other payables	523	(27,359)	3,748	18	(23,070)			(23,070)
Increase (decrease) in amount due to SNP Group	1,545	(355)	4,039	–	5,229	(283)	*I*	4,946
Increase in amounts due to associates	6,144	–	–	–	6,144			6,144
Cash generated from operations	79,796	30,211	27,938	211	138,156	(493)		137,663
Hong Kong Profits Tax paid	(12)	(579)	–	–	(591)			(591)
PRC income tax paid	–	(497)	–	–	(497)			(497)
Overseas taxes paid	(4,194)	–	(258)	–	(4,452)			(4,452)
NET CASH FROM OPERATING ACTIVITIES	75,590	29,135	27,680	211	132,616	(493)		132,123

	SNP Leefung Holdings Limited	SNP Excel United Company Limited	SNP SPrint (Thailand) Co., Ltd.	CTT & Associates Limited	Total	Proforma adjustments		Proforma balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note 3*	*HK$'000*
INVESTING ACTIVITIES								
Purchase of property, plant and equipment	(52,802)	(10,416)	(6,484)	–	(69,702)			(69,702)
Repayment to an associate	(23,759)	–	–	–	(23,759)			(23,759)
Proceeds from disposal of interests in subsidiaries	26,116	–	–	–	26,116			26,116
Proceeds from disposal of investment properties	9,709	–	–	–	9,709			9,709
Proceeds from disposal of property, plant and equipment	2,839	1,601	25	–	4,465			4,465
Dividend received from an associate	1,964	–	–	–	1,964			1,964
Interest received	848	679	12	–	1,539			1,539
Acquisition of subsidiaries	–	–	–	–	–	(365,069)	*H*	(365,069)
Advance to SNP Group	–	(40,283)	–	–	(40,283)	283	*I*	(40,000)
NET CASH USED IN INVESTING ACTIVITIES	(35,085)	(48,419)	(6,447)	–	(89,951)	(364,786)		(454,737)
FINANCING ACTIVITIES								
Advance from (repayment to) SNP Group	–	14,145	(1,090)	–	13,055			13,055
Repayment to a related company	–	(6)	–	–	(6)			(6)
Repayment to obligations under finance leases	–	(20,799)	(125)	–	(20,924)			(20,924)
Repayment of bank loans	(56,338)	–	(29,490)	–	(85,828)			(85,828)
Net (decrease) increase in trust receipt loans	–	(4,219)	889	–	(3,330)			(3,330)
Dividend paid	(21,555)	(98)	(210)	(206)	(22,069)	210	*C*	(21,859)
Interest paid	(3,459)	(2,163)	(1,075)	–	(6,697)	(6,600)	*E*	(13,297)
New bank loans raised	27,000	40,000	11,539	–	78,539	330,000	*H*	408,539
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(54,352)	26,860	(19,562)	(206)	(47,260)	323,610		276,350
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,847)	7,576	1,671	5	(4,595)	(41,669)		(46,264)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	94,607	31,886	7,090	55	133,638	(39,031)	*H*	94,607
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	–	605	4	609			609
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash	80,760	39,462	9,366	64	129,652	(80,700)	*E & H*	48,952

Notes to the Proforma Combined Financial Information of the Enlarged Group

1. Basis of the preparation of the Proforma Combined Financial Information

The proforma combined income statement and cash flow statement of the Enlarged Group include results and cash flow of SNP Leefung Holdings Limited, SNP Excel United Company Limited, SNP SPrint (Thailand) Co., Ltd. and CTT & Associates Limited for the year ended 31 December, 2003, as if the current group structure had been in existence throughout the year.

The proforma combined balance sheet of the Enlarged Group has been prepared to present the assets and liabilities of the Enlarged Group as if the proposed acquisition of SNP Excel United Company Limited, SNP SPrint (Thailand) Co., Ltd. and CTT & Associates Limited by SNP Leefung Holdings Limited described in the section headed "Letter from the Board" of the Circular had been completed as at 1 January, 2003. For the purpose of preparing the proforma combined balance sheet, it is assumed that the consideration for the proposed acquisition is financed by bank borrowings to HK$330 million. The remaining consideration will be settled by the Group's bank balances and cash.

2. Significant accounting policies of the Enlarged Group

The Proforma Combined Financial Information has been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The Proforma Combined Financial Information has been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Enlarged Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and an associates at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is capitalised and amortised on a straight-line basis over its useful economic life of 10 years. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate and amortised on a straight-line basis over its estimated useful economic life of 5 years.

On disposal of subsidiaries and an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Enlarged Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions on or after 1 January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to 1 January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Interests in associates

An associate is an enterprise over which the Enlarged Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the combined proforma financial information using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss.

Investments in securities

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost, as reduced by any impairment loss that is other than temporary.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Property, plant and equipment

Property, plant and equipment, other than plant and machinery under installation and factory buildings under construction, are stated at cost or valuation less accumulated depreciation and amortisation and impairment loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Advantage has been taken of the transitional relief provided by paragraph 80 of Statements of Standard Accounting Practice No. 17 "Property, plant and equipment" from the requirement to make revaluation on a regular basis of the land and buildings of the Enlarged group which had been carried at revalued amounts prior to 30 September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation and amortisation are provided to write off the cost or valuation of assets, other than plant and machinery under installation and factory buildings under construction, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms, including the renewable period
Buildings	2.5%-5%
Plant and machinery	$6^2/_3$%-$33^1/_3$%
Equipment, furniture and fixtures	10%-50%
Motor vehicles	6%-25%

Plant and machinery under installation and factory buildings under construction are stated at cost less any impairment losses, and are not depreciated. They are reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

Impairment

At each balance sheet date, the Enlarged Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Enlarged Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable rate of interest.

Rental income is recognised on a straight-line basis over the relevant lease terms.

Leases

Rentals payable under operating leases are charged to income statement on a straight-line basis over the relevant lease terms.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On combination, the assets and liabilities of the Enlarged Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Enlarged Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefit costs

Payments to state managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

3. Proforma adjustments

A. Elimination of intercompanies sales and purchases.

B. Elimination of intercompanies sub-processing income and charge.

C. Elimination of intercompanies dividend income and dividend paid.

D. To record the amortisation of goodwill arising on the acquisition of subsidiaries on a straight line basis over its useful economic life of 10 years.

E. To record the finance cost on HK$330 million bank borrowings as mentioned in note 3H below. It is assumed that the average interest rate is 2% per annum.

F. To record the minority share of profit of SNP SPrint (Thailand) Co., Ltd. as the Company only acquire an effective interest of approximately 99.95% of the voting share capital in SNP SPrint (Thailand) Co., Ltd.

G. To record the minority share of profit of CTT & Associates Limited as the Company only acquire an effective interest of approximately 98.93% of the voting share capital in CTT & Associates Limited.

H. To record the acquisition of the entire issued share capital of SNP Excel United Company Limited, an effective interest of approximately 99.95% of the voting shares capital of SNP SPrint (Thailand) Co., Ltd. and an effective interest of approximately 98.93% of the voting share capital of CTT & Associates Limited from SNP Corporation Ltd. The total consideration for the Acquisition is S$88 million (equivalent to approximately HK$404.1 million). For the purpose of preparing the proforma financial information, it is assumed that the consideration for the Acquisition is financed by bank borrowings of HK$330 million. The remaining consideration will be settled by the Group's bank balances and cash. The Directors will review the financial position, in particular the cash position, of the Group at the time closer to completion of the Acquisition before determining whether internal funding will be used for financing part of the Acquisition.

I. Elimination of intercompanies balances. SNP Group represents SNP Corporation Ltd and its subsidiaries. SNP Corporation Ltd is a substantial shareholder of the Company.

TOP FIVE CUSTOMERS

Turnover attributable to the Enlarged Group's five largest customers was less than 30% of the Enlarged Group's total turnover for each of the three years ended 31 December, 2003.

TOP FIVE SUPPLIERS

Purchases from the largest supplier and the five largest suppliers of the Enlarged Group accounted for approximately 10%, 9% and 18%, and approximately 31%, 33% and 42% of the Enlarged Group's total purchases for each of the three years ended 31 December, 2003 respectively.

The Directors have confirmed that save for the fact that one of the five largest suppliers in 2001 and 2002 is an associate of Shanghai J.V., all of the five largest suppliers of the Enlarged Group for each of the three years ended 31 December, 2003 are independent third parties, and none of the Directors, their respective associates or any Shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital have any interest in the five largest suppliers of the Enlarged Group for each of the three years ended 31 December, 2003.

INDEBTEDNESS

At the close of business on 30 June, 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$238.0 million. The borrowings comprise unsecured trust receipt loans of approximately HK$1.0 million, secured trust receipt loans of approximately HK$6.8 million, unsecured bank loans of approximately HK$222.2 million, secured bank loan of approximately HK$4.4 million, unsecured bank overdraft of approximately HK$0.1 million and obligations under finance leases of approximately HK$3.5 million.

Saved as aforesaid and as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 June, 2004.

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Net current assets

As at 31 December, 2003, the Enlarged Group had net current assets of approximately HK$322.4 million. As at 31 December, 2003, the Enlarged Group's total current assets were approximately HK$697.9 million, comprising stocks of approximately HK$167.8 million, trade and other receivables of approximately HK$440.8 million, amount due from SNP Group of approximately HK$40.3 million and cash and bank balances of approximately HK$49.0 million. As at 31 December, 2003, the Enlarged Group's total current liabilities were approximately HK$375.5 million, comprising trade and other payables of approximately HK$234.0 million, amount due to SNP Corporation of approximately HK$27.1 million, amounts due to associates of approximately HK$17.9 million, taxation payable of approximately HK$23.2 million and short term bank loans of approximately HK$71.6 million. Obligations under finance lease due within one year amounted to approximately HK$1.7 million.

Capital and other commitments

As at 31 December, 2003, the Enlarged Group had capital commitments in respect of the acquisition of fixed assets and operating lease commitments amounting to approximately HK$9.2 million and HK$127.7 million respectively. Of the capital commitment, approximately HK$9.2 million had been contracted for but not provided for and authorised but not contracted for.

Borrowings

Borrowings of the Enlarged Group as at 31 December, 2001, 2002 and 2003 are as follows:

	As at 31 December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Bank Loan			
Secured	39,807	20,833	5,342
Unsecured	319,837	213,353	548,398
	359,644	234,186	553,740

The bank loans as at 31 December, 2001, 2002 and 2003 which bear interest at the rates in a range of approximately 2.8% to 9.5%, 2.3% to 8.3% and 0.7% to 7.8% per annum respectively are repayable as follows:

	As at 31 December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	354,171	84,987	71,556
Between one to two years	4,366	62,835	85,850
Between two to five years	1,107	86,364	226,334
More than five years	–	–	170,000
	359,644	234,186	553,740

Note: For 2003, it is assumed that total bank borrowings of HK$330 million is drawn down to partially finance the consideration for the Acquisition.

As at 31 December, 2003, the Enlarged Group has pledged certain buildings and plant and machinery with net book values of approximately Baht50.3 million and Baht4.4 million (equivalent to approximately HK$9.8 million and HK$0.9 million) respectively to banks to secure the bank loans of approximately HK$5.3 million.

Foreign exchange exposure and hedging policy

Approximately 61%, 30% and 4% of the revenue of the Enlarged Group were denominated in USD, RMB and HKD respectively during the year ended 31 December, 2003. No formal hedging policy has been adopted by the Enlarged Group. The Directors and the directors of the Acquired Companies confirmed that the Enlarged Group has not experienced any significant problem due to foreign exchange conversion during the Track Record Period.

As at 31 December, 2003, the Enlarged Group did not have any outstanding hedging instruments.

Bank balances and cash

As at 31 December, 2003, the proforma bank balances and cash of the Enlarged Group amounted to approximately HK$49 million. Such bank balances and cash have been used as the internal working capital of the Enlarged Group.

Working capital

The Directors are satisfied after due and careful enquiry that the Enlarged Group has available sufficient working capital for the Enlarged Group's present requirements, that is for at least the next 12 months from the date of publication of this circular.

DIVIDEND POLICY

The Enlarged Group has declared dividends of approximately HK$0.1 million, HK$20.2 million and HK$20.4 million for the year ended 31 December, 2001, 2002 and 2003 respectively. The Directors consider that the amount of future dividends to be declared by the Enlarged Group will depend on the Enlarged Group's results, working capital, cash position, capital requirements and other factors as may be deemed relevant by the Directors at such time.

DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES

The Directors confirmed that as at the Latest Practicable Date, the Group had complied with Chapter 13 of the Listing Rules.

MATERIAL ADVERSE CHANGE

The Directors confirm that (i) there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December, 2003, the date to which the latest audited financial statements of the Group were made up; and (ii) there has been no material adverse change in the financial or trading position or prospects of the Acquired Companies since 31 March, 2004, the date to which the latest audited financial statements of the Acquired Companies were made up.

Sallmanns

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14 August, 2004

The Board of Directors
SNP Leefung Holdings Limited
Rooms 1001-1003
10th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which SNP Leefung Holdings Limited (hereinafter referred to as the "Company"), SNP Excel United Company Limited and SNP SPrint (Thailand) Company Limited and their subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong, the People's Republic of China (the "PRC") and Thailand, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property interests as at 3 August, 2004 (the "date of valuation").

Wherever possible, our valuations of the properties represent the open market value which we would define as intended to mean "an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the properties and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

We have valued the property interests in Group I by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Due to a lack of evidence of comparable transactions, our valuations for the properties in Group II are our opinion of the fair market value. Fair market value is defined as the estimated amount at which the subject property in its continued use might be expected to be purchased and sold between a willing buyer and a willing seller, neither being under compulsion, each having a reasonable knowledge of all relevant facts, with equity to both, for continuation of the current operation of the relevant property as part of an on-going business.

Where, due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the properties have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality, and the gross replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for age, condition, economic or functional obsolescence and environmental factors etc; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement." This opinion of value does not necessarily represent the amount that might be realized from the disposal of the subject property in the open market, and this basis has been used due to the lack of an established market upon which to base comparable transactions. However, this approach generally furnishes the most reliable indication of value for property without a known used market.

We have attributed no commercial value to the property interests in Groups IV and V and property interest no. 11 in Group III, which are leased by the Group due mainly to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the interests of those properties of the Group in Hong Kong held under the Government Leases expiring before 30 June, 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June, 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, letting, and all other relevant matters.

We have been, in some instances, provided by the Group with extracts of the title documents relating to the properties in the PRC and have caused searches to be made at the Hong Kong Land Registries in respect of Hong Kong properties. However, we have not searched the original documents to verify the existing titles to the properties in the PRC or any material encumbrances that might be attached to the properties, which may not appear on the copies handed to us. We have relied on the advices given by the Company's PRC legal advisers – Hills & Co. and GFE Law Office, concerning the validity of the Group's titles to the properties in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars. The exchange rates adopted in our valuations are as follows:

HK$1 = Renminbi (“RMB”) 1.06
HK$1 = Thai Baht (“B”) 5.38

The above exchange rates are the approximate prevailing exchange rates as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 21 years’ experience in the valuation of properties in the PRC and 24 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held by the Group in Hong Kong

No.	Property	Open market value in existing state as at 3 August, 2004 *HK$*
1.	10th Floor Wing On House No. 71 Des Voeux Road Central Hong Kong	48,000,000
2.	Workshop Units 3, 4 and 5 12th Floor Hong Kong Worsted Mills Industrial Building Nos. 31-39 Wo Tong Tsui Street Kwai Chung New Territories Hong Kong	4,090,000
3.	Units B, E and F 6th Floor Sunview Industrial Building No. 3 On Yip Street Chai Wan Hong Kong	2,800,000
	Sub-total:	54,890,000

Group II – Property interests held and occupied by the Group in the PRC

No.	Property	Open/Fair market value in existing state as at 3 August, 2004 *HK$*
4.	Various units in Hua Lian Garden Nanshan Avenue Nanshan District Shenzhen The PRC	4,620,000
5.	Various units in Yu Kang Garden Nanshan Avenue Nanshan District Shenzhen The PRC	3,100,000
6.	Unit 9E Neptunes Mansion Chuangye Road Nanshan District Shenzhen The PRC	294,000
7.	A parcel of land, various buildings and structures located at Neihuan Road Nanshan District Shenzhen The PRC	48,460,000
8.	Two parcels of land, various buildings and structures located at Jinju Administrative Zone Dalingshan Town Dongguan City Guangdong Province The PRC	73,200,000
9.	A parcel of land, various buildings and structures located at Rongshuzi Langbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
	Sub-total:	129,674,000

Group III – Property interest leased and occupied by the Group in Thailand

No.	Property	Open/Fair market value in existing state as at 3 August, 2004 *HK$*
10.	99 and 99/12 Moo 6 Patong Subdistrict Soi Dao District Chantaburi 22180 Thailand	11,264,000 (Baht 60,560,000)
11.	149/1-10 St Louis Square Building 3rd Floor Trok Chan Sapan 3 Chan Road Tung Wat Don Sathorn Bangkok 10120 Thailand	No commercial value
	Sub-total:	11,264,000

Group IV – Property interests rented and occupied by the Group in Hong Kong

No.	Property	Open market value in existing state as at 3 August, 2004 *HK$*
12.	Unit A 6th Floor Sunview Industrial Building No. 3 On Yip Street Chai Wan Hong Kong	No commercial value
13.	25th Floor and Lorry Car Park Nos. 14 and 15 (originally designated as Lorry Car Park No. L9) on 1st Floor Sino Favour Centre 1 On Yip Street Chai Wan Hong Kong	No commercial value

No.	Property	Open market value in existing state as at 3 August, 2004 *HK$*
14.	Flat 2G and Car Parking Space No. 60 Mandarin Villa 10 Shiu Fai Terrace Hong Kong	No commercial value
15.	Workshop Nos. 4 and 11 together with the flat roof on 3rd Floor Honour Industrial Centre 6 Sun Yip Street Chai Wan Hong Kong	No commercial value
16.	Apartment D on 2nd Floor of Block 5 and a car parking space The Mount Austin 8 Mount Austin Road Hong Kong	No commercial value
	Sub-total:	Nil

Group V – Property interests rented and occupied by the Group in the PRC

No.	Property	Open market value in existing state as at 3 August, 2004 *HK$*
17.	Four parcels of land and various buildings and structures located at Langwei Road Xiaolong Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value

No.	Property	Open market value in existing state as at 3 August, 2004 *HK$*
18.	An industrial building in Bangjiangdong Village Shilian Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
19.	Portions of simple structure warehouse Warehouses Nos. 2 and 3 4th Floor of Warehouse No. 2 Lianhuashan warehouses Lianhuashan Port Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
20.	Various residential units located at Jiafu Garden Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
21.	Portion of a warehouse and a dormitory building Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
22.	A warehouse Langbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value

No.	Property	Open market value in existing state as at 3 August, 2004 *HK$*
23.	Unit 5D Jinfu Court Chengshi Garden Shilian Road West Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
24.	A factory building Xishe Longbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
25.	46 dormitory units Longji Road North Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
26.	Unit 303 Block 4 Jinhaian Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value

No.	Property		Open market value in existing state as at 3 August, 2004 *HK$*
27.	2nd and 3rd Floors No. 3 Da Song Gang Jiang Nan Main Avenue Guangzhou City The PRC		No commercial value
		Sub-total:	Nil
		Total:	195,828,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
1.	10th Floor Wing On House No. 71 Des Voeux Road Central Hong Kong (1,350/42,700th Shares of Section A of Marine Lot No. 381 and the Remaining Portion of Marine Lot No. 381)	The property consists of 11 units on the 10th floor of a 32-storey office/commercial building completed in about 1967. The property has a total gross floor area of approximately 1,481.42 sq.m. (15,946 sq.ft.) The property is held under a Government Lease for a term of 999 years commencing from 15 August, 1903.	Rooms 1001-1007 of the property are currently occupied by the Group for office purpose. Rooms 1008-1011 of the property are held by the Group for investment purpose.	48,000,000

Notes:

1. The owner of the property is SNP Leefung Properties Limited (formerly known as Lakesview Limited) and registered vide Memorial No. 5829007 dated 4 October, 1993.

2. SNP Leefung Properties Limited is a wholly-owned subsidiary of the Company.

3. The property is subject to and with the benefit of a Deed of Mutual Covenant with Plans vide Memorial No. 2199280 dated 15 December, 1981.

4. For reference purpose, the occupancy status is set out below:

Unit	Gross Floor Area *(sq.m.)*	Occupancy
Rooms 1001-1007	1,018.32	Owner Occupied
Rooms 1008 and 1009	317.7	Vacant
Rooms 1010-1011	145.4	Vacant

5. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
2.	Workshop Units 3, 4 and 5 12th Floor Hong Kong Worsted Mills Industrial Building Nos. 31-39 Wo Tong Tsui Street Kwai Chung New Territories Hong Kong (80/3,223rd Shares of Lot No. 730 in D.D. 450)	The property comprises 3 workshops on the 12th floor of a 24-storey industrial building completed in about 1983. The property has a total gross floor area of approximately 1,438.32 sq.m. (15,482 sq.ft.). The property is held under New Grant No. 3612 for a term of 75 years renewable for 24 years commencing from 1 July, 1898.	The property is currently occupied by the Group as a warehouse.	4,090,000

Notes:

1. The owner of the property is Geltin Limited and registered vide Memorial No. 827334 dated 31 March, 1992.

2. Geltin Limited is a wholly-owned subsidiary of the Company.

3. The property is subject to and with the benefit of a Deed of Mutual Covenant vide Memorial No. 281167 dated 29 April, 1983.

4. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
3.	Units B, E and F 6th Floor Sunview Industrial Building No. 3 On Yip Street Chai Wan Hong Kong (60/2,450th Shares of Section B of Chai Wan Inland Lot No. 30)	The property comprises 3 workshops on the 6th floor of a 14-storey industrial building completed in about 1978. The property has a total gross floor area of approximately 965.81 sq.m. (10,396 sq.ft.). The property is held under Conditions of Exchange No. 8730 for a term of 75 years renewable for 75 years commencing from 1 January, 1963.	The property is currently occupied by the Group for production and ancillary office purposes.	2,800,000

Notes:

1. The owner of the property is United Graphics Company Limited and registered vide Memorial Nos. 4431465 and 4337955 dated 1 May, 1990 and 22 January, 1990 respectively.

2. United Graphics Company Limited is the former name of SNP Excel United Company Limited.

3. The property is subject to and with the benefit of a Deed of Mutual Covenant with Plan registered vide Memorial No. 1477186 dated 3 January, 1978.

4. The property is subject to a Management Agreement registered vide Memorial No. 1477187 dated 3 January, 1978.

5. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

Group II – Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
4.	Various units in Hua Lian Garden Nanshan Avenue Nanshan District Shenzhen The PRC	The property comprises 30 units in a residential development completed in various stages between 1993 and 1994. The property has a total gross floor area of approximately 2,250.39 sq.m. (24,223.20 sq.ft.). The land use rights of the property were granted for a term of 50 years commencing from 18 April, 1987 and expiring on 17 April, 2037 for residential uses.	The property is currently occupied by the Group as staff quarters.	4,620,000

Notes:

1. Pursuant to Realty Title Certificates – Shen Fang Di Zi Di Nos. 0304186, 0304185, 0304184, 0304183, 0304194, 0304193, 0304192, 0304191, 0304190, 0304189, 0304188, 0304187, 0304182, 0304181, 0304180, 0304179, 0304178, 0304177, 0304176, 0304175, 0304174, 0304173, 0304172, 0304171, 0304170, 0304169, 0304168, 0304167, 0304166 and 0304165, all dated 22 January, 1995 issued by the People's Government of Shenzhen, 30 units with a total gross floor area of approximately 2,250.39 sq.m. are held by SNP Leefung Printers (Shenzhen) Co. Ltd. (利豐雅高印刷(深圳)有限公司), a wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion regarding the property interests which contains, *inter alia*, the following:

   (i) The property is legally vested in SNP Leefung Printers (Shenzhen) Co. Ltd.

   (ii) SNP Leefung Printers (Shenzhen) Co. Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property freely, and no additional payments of any land premium or other substantial taxes and expenses are required to be paid for the transfer of the property.

3. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
5.	Various units in Yu Kang Garden Nanshan Avenue Nanshan District Shenzhen The PRC	The property comprises 11 units in a residential development completed in various stages between 1993 and 1994. The property has a total gross floor area of approximately 943.4 sq.m. (10,154,76 sq.ft.). The land use rights of the property were granted for a term of 50 years commencing from 13 October, 1988 and expiring on 12 October, 2038 for residential uses.	The property is currently occupied by the Group as staff quarters.	3,100,000

Notes:

1. Pursuant to various Realty Title Certificates, all issued by the People's Government of Shenzhen, the following units are held by SNP Leefung Printers (Shenzhen) Co. Ltd (利豐雅高印刷（深圳）有限公司), a wholly-owned subsidiary of the Company.

No. of Unit	GFA *(sq.m.)*	Realty Title Certificate	Date of Certificate
22A	102.35	Shen Fang Di Zi Di No. 0312353	29-02-1996
22B	102.70	Shen Fang Di Zi Di No. 0312352	29-02-1996
22I	78.60	Shen Fang Di Zi Di No. 0312360	01-03-1996
24A	102.35	Shen Fang Di Zi Di No. 0312354	01-03-1996
24B	102.70	Shen Fang Di Zi Di No. 0312355	04-03-1996
24C	70.15	Shen Fang Di Zi Di No. 0312356	04-03-1996
24I	78.60	Shen Fang Di Zi Di No. 4000063725	07-03-2002
27I	78.60	Shen Fang Di Zi Di No. 6007578	16-01-1997
28I	78.60	Shen Fang Di Zi Di No. 0312359	04-03-1996
28C	70.15	Shen Fang Di Zi Di No. 0312358	04-03-1996
30I	78.60	Shen Fang Di Zi Di No. 0312361	04-03-1996

2. We have been provided with a legal opinion regarding the property interests which contains, *inter alia*, the following:

   (i) The property is legally vested in SNP Leefung Printers (Shenzhen) Co. Ltd.

   (ii) SNP Leefung Printers (Shenzhen) Co. Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property freely, and no additional payments of any land premium or other substantial taxes and expenses are required to be paid for the transfer of the property.

3. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
6.	Unit 9E Neptunes Mansion Chuangye Road Nanshan District Shenzhen The PRC	The property comprises a unit on level 9 of a residential building completed in about 1994. The property has a total gross floor area of approximately 83.41 sq.m. (897.83 sq.ft.). The land use rights of the property were granted for a term of 50 years commencing from 28 November, 1992 and expiring on 27 November, 2042.	The property is currently occupied by the Group as staff quarters.	294,000

Notes:

1. Pursuant to Realty Title Certificate – Shen Fang Di Zi Di No. 0310889 (深房地字第0310889號), dated 3 December, 1995 issued by the People's Government of Shenzhen, the unit with a gross floor area of approximately 83.41 sq.m. is held by SNP Leefung Printers (Shenzhen) Co. Ltd. (利豐雅高印刷(深圳)有限公司).

2. We have been provided with a legal opinion regarding the property interests which contains, *inter alia*, the following:

   (i) The property is legally vested in SNP Leefung Printers (Shenzhen) Co. Ltd.

   (ii) SNP Leefung Printers (Shenzhen) Co. Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property freely, and no additional payments of any land premium or other substantial taxes and expenses are required to be paid for the transfer of the property.

3. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Fair market value in existing state as at 3 August, 2004 *HK$*
7.	A parcel of land, various buildings and structures located at Neihuan Road Nanshan District Shenzhen The PRC	The property comprises a parcel of land with a site area of approximately 21,278 sq.m. and 5 buildings and various ancillary structures erected thereon. The major buildings comprise a factory, an ancillary building and a pumping station completed between 1993 and 1994. The property has a total gross floor area of approximately 33,899.4 sq.m. (364,893 sq.ft.) The land use rights of the property were granted for a term of 30 years commencing from 18 April, 1987 and expiring on 17 April, 2017 for industrial uses.	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	48,460,000

Notes:

1. Pursuant to a Realty Title Certificate – Shen Fang Di Zi Di No. 0305939 (深房地字第0305939號) dated 2 May, 1995 issued by the People's Government of Shenzhen, the land use rights of the land with a site area of approximately 21,278 sq.m. and the 3 buildings (a factory, an ancillary building and a pumping station) with an area of approximately 33,899.4 sq.m. are held by SNP Leefung Printers (Shenzhen) Co. Ltd. (利豐雅高印刷(深圳)有限公司), a wholly-owned subsidiary of the Company.

2. For reference purposes, the breakdown of value of the property interest for the subject land is HK$7,210,000 and for the depreciated replacement cost of 3 buildings, which have been granted with proper title certificates, together with the structures and land improvement is HK$41,250,000.

3. In the valuation of this property, we have not attributed any commercial value to 3 other buildings (a dangerous goods warehouse (120 sq.m.) a guard room (15 sq.m.) and warehouse (1,309 sq.m.)) with a total gross floor area of approximately 1,444 sq.m. which have not been granted with any proper title certificate. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the 3 buildings as at the date of valuation is HK$651,000.

4. As advised by the Company, they are in the process of applying the Realty Title Certificate for the warehouse with a gross floor area of approximately 1,309 sq.m. (mentioned in note 3).

5. According to the information provided by the Group, the net book value of the property as at 30 April, 2004 was HK$65,846,430.

6. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The property (save and except buildings mentioned in note 3 above) is legally vested in SNP Leefung Printers (Shenzhen) Co. Ltd.

   (ii) SNP Leefung Printers (Shenzhen) Co. Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property (save and except buildings mentioned in note 3 above) freely, no additional payment of any land premium or other substantial taxes and expenses are required to be paid for the transfer of the property.

   (iii) Regarding the warehouse mentioned in note 3 above, construction work planning permit has been obtained and it has passed the construction completion inspection and fire safety inspection. SNP Leefung Printers (Shenzhen) Co. Ltd. has the legal right to construct the warehouse and is the owner thereof. There is no legal impediment for SNP Leefung Printers (Shenzhen) Co. Ltd. to obtain the realty title certificate of the warehouse. However, unless and until the realty title certificate has been obtained, such warehouse cannot be transferred or mortgaged.

   (iv) Regarding the dangerous goods warehouse and guard room mentioned in note 3 above, no construction work planning permit has been obtained and no construction completion inspection and fire safety inspection has been carried out. The relevant government authority may order demolition of the same or require ratification work to be carried out and impose penalty.

7. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Fair market value in existing state as at 3 August, 2004 *HK$*
8.	Two parcels of land, various buildings and structures located at Jinju Administrative Zone Dalingshan Town Dongguan City Guangdong Province The PRC	The property comprises two parcels of land with a total site area of approximately 104,001 sq.m. and 13 buildings and various ancillary structures erected thereon. The major buildings comprise two 2-storey factories, a single storey warehouse, four 7-storey dormitories and a 3-storey canteen completed between 1996 and 1998. The property has a total gross floor area of approximately 58,100.97 sq.m. (625,398.79 sq.ft.) The two land use rights of the property were granted for terms commencing from August 1995 and December 1995 respectively and expiring in August 2045 and December 2045, respectively.	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	73,200,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1995) Zi Di Te No. 339 (東府國用(1995)字第特339號) dated 25 October, 1995, issued by the People's Government of Guangdong Province, the land use rights of the land with a site area of approximately 63,332 sq.m. are held by SNP Leefung Packaging & Printing (Dongguan) Co. Ltd. (利豐雅高包裝印刷(東莞)有限公司), a wholly-owned subsidiary of the Company, for a term of 50 years commencing from August 1995 and expiring in August 2045 for industrial uses.

2. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1996) Zi Di Te No. 30 (東府國用(1996)字第特30號) dated 24 January, 1996, issued by the People's Government of Guangdong Province, the land use rights of the land with a site area of approximately 40,669 sq.m. are held by SNP Leefung Packaging & Printing (Dongguan) Co. Ltd., (利豐雅高包裝印刷(東莞)有限公司) for a term of 50 years commencing from December 1995 and expiring in December 2045 for industrial uses.

3. Pursuant to various Realty Title Certificates, all issued by the People's Government of Guangdong Province, the following buildings are held by SNP Leefung Packaging & Printing (Dongguan) Co., Ltd.

Descriptions	**No. of Storeys**	**GFA** *(sq.m.)*	**Realty Title Certificate**	**Date of Certificate**
Factory No. 1	2	20,404.80	Yue Fang Di Zheng Di No. C0349189	27-02-2002
Factory No. 4	2	10,420.80	Yue Fang Di Zheng Di No. C0349190	27-02-2002
Warehouse No. 6	1	8,118.01	Yue Fang Di Zheng Di No. C1299510	21-03-2003
Dormitory No. 10A	7	4,554.61	Yue Fang Di Zheng Di No. C1299512	21-03-2003
Dormitory No. 10B	7	4,468.03	Yue Fang Di Zheng Di No. C1299511	21-03-2003
Dormitory No. 10C	7	4,607.195	Yue Fang Di Zheng Di No. C0349188	27-03-2002
Dormitory No. 10D	7	1,909.01	Yue Fang Di Zheng Di No. C1994502	23-10-2003
Canteen No. 11A	3	3,618.51	Yue Fang Di Zheng Di No. C1994503	23-10-2003

4. For reference purposes, the breakdown of value of the property interest for the subject land is HK$17,990,000 and the depreciated replacement cost of 8 buildings, which have been granted with proper title certificates, together with the structures and land improvements is HK$55,210,000.

5. In the valuation of this property, we have not attributed any commercial value to 5 other buildings (Workshop No. 5 (8,868 sq.m.), Paper Warehouse No. 7 (8,868 sq.m.), Generation Room No. 8 (542 sq.m.), Boiler (542 sq.m.) and Senior Staff Quarter No. 11B (1,168 sq.m.)) with a total gross floor area of approximately 19,988 sq.m. which have not been granted with any proper title certificates. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the 5 buildings as at the date of valuation is HK$15,110,000.

6. As advised by the Company, they are in the process of applying the Realty Title Certificates for Workshop No. 5, Paper Warehouse No. 7 and Senior Staff Quarter No. 11B, with a total gross floor area of approximately 18,904 sq.m. (mentioned in note 5).

7. According to the information provided by the Group, the net book value of the property as at 30 April, 2004 was HK$92,966,205.

8. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The property (save and except the buildings mentioned in note 5 above) is legally vested in SNP Leefung Packaging & Printing (Dongguan) Co. Ltd.

   (ii) SNP Leefung Packaging & Printing (Dongguan) Co. Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property (save and except the buildings mentioned in note 5 above) freely, no additional payment of any land premium or other substantial taxes and expenses are required for the transfer of such property.

   (iii) Save and except that fire safety inspection certificate has been issued in respect of Workshop No. 5 and Paper Warehouse No. 7, no construction work planning permit has been obtained in respect of the 5 buildings mentioned in note 5 above and no construction completion inspection and fire safety inspection has been carried out. The relevant government authority may order demolition of the same or require ratification work to be carried out and impose penalty.

9. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
9.	A parcel of land, various buildings and structures located at Rongshuzi Langbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 14,880 sq.m. (including 1,320.3 sq.m. reserved for highway construction) and 2 buildings and various ancillary structures erected thereon. The two buildings include a 3-storey office building and a 3-storey industrial building both completed in about 2002. The property has a total gross floor area of approximately 16,777.6 sq.m. (180,594.09 sq.ft.) The land use rights of the property were granted for a term expiring on 7 February, 2052.	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Pan Guo Yong (2002) Zi Di No. G08-001336 (番國用(2002)字第G08-001336號), issued by the People's Government of Guangzhou City on 12 November, 2003, the land use rights of the land with a site area of approximately 14,880 sq.m. (including 1,320.3 sq.m. reserved for highway construction) are granted to Panyu Excel Printing United Company Ltd., a wholly-owned subsidiary of the Company, for a term expiring on 7 February, 2052 for industrial uses.

2. According to a Tenancy Agreement entered into between Liang Ruibo 梁銳波 and Zeng Xihua 曾錫華 and Panyu Excel Printing United Company Ltd. dated 8 January, 2002, a parcel of land with a site area of 14,880 sq.m. was leased to Panyu Excel Printing United Company Ltd. for 50 years commencing from 1 December, 2000 and expiring on 30 November, 2050 at the monthly rent and management fee of RMB1.80 per sq.m. for the first 5 years with a 10% increase every 5 years up to RMB3.189 per sq.m..

3. According to the Tenancy Agreement, Panyu Excel Printing United Company Ltd. had to apply for the State-owned Land Use Rights Certificate. However, the land use rights of the property are held by Liang Ruibo 梁銳波 and Zeng Xihua 曾錫華.

4. In the valuation of this property, we have not attributed any commercial value to the 2 buildings (an office building and an industrial building) with a total gross floor area of approximately 16,777.6 sq.m. which have not been granted with any proper title certificates. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the 2 buildings as at the date of valuation is HK$15,160,000.

5. According to the information provided by the Group, the net book value of the property together with property no. 17 as at 30 April, 2004 was HK$28,606,132.

6. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) As restricted by the terms of the Tenancy Agreement, the tenant is not allowed to lease, mortgage or transfer the property or use the property as security for any loan. The tenant shall notify the landlord in writing if it sublets the property. The tenant's ownership rights over the property is restricted.

   (ii) Upon expiration of the term of the Tenancy Agreement, the tenant shall transfer the property to the landlord. The tenant has obligation to transfer the property to the names of the landlord at the landlord's costs.

   (iii) There is no legal impediment for the tenant to obtain the realty title certificate of the buildings. However, unless and until the realty title certificates have been obtained, such buildings cannot be leased.

   (iv) The tenancy agreement is binding on the parties thereto but not third party. As the tenant has obtained the State-owned Land Use Rights Certificate, the chances of the tenant's rights under the tenancy agreement being challenged or objected by any third party is relatively low.

7. As confirmed by the Company, the property is not subject to any charges, mortgages or any other encumbrances.

VALUATION CERTIFICATE

Group III – Property interest leased and occupied by the Group in Thailand

	Property	Description and tenure	Particulars of occupancy	Fair market value in existing state as at 3 August, 2004 *HK$*
10.	99 and 99/12 Moo 6 Patong Subdistrict Soi Dao District Chantaburi 22180 Thailand	The property comprises a parcel of land with a site area of approximately 68,524 sq.m. and 7 buildings and various ancillary structures erected thereon. The major buildings comprise 2 factory buildings, a transformer room, an accessory stock-shed, a town house, a kitchen and a toilet all completed in about 1999. The property has a total gross floor area of approximately 14,618 sq.m. (157,348.15 sq.ft.) The land use rights were leased to SNP SPrint (Thailand) Co., Ltd. for a term of 30 years commencing from 8 August, 2001.	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	11,264,000 (Baht 60,560,000)

Notes:

1. SNP SPrint (Thailand) Co., Ltd. is formerly known as SNP Sirivatana Co., Ltd.

2. According to a two Title Deed Nos. 3155 and 3158, the registered owner of the property is Pornthep Samatiyadekul.

3. According to a lease agreement, the property is leased to SNP SPrint (Thailand) Co., Ltd. for a term of 30 years commencing from 8 August, 2001.

4. For reference purposes, the breakdown of value of the property interest for the subject land is HK$552,000 (Baht2,810,000) and the depreciated replacement cost of the buildings, which have been granted with proper title certificates, together with the structures and land improvement is HK$11,344,000 (Baht57,750,000).

5. Our valuation of the land is arrived based on a leasehold ownership. However, for reference purposes, the value of the land under a freehold ownership is HK$1,840,000 (Baht9,365,000).

6. According to the lease agreement, SNP SPrint (Thailand) Co., Ltd. has the right to freely sublet, transfer and mortgage the remaining term of the lease.

7. SPrint's Thailand legal advisers have indicated that the buildings are subject to a mortgage dated 27 March, 2002 in favour of Bangkok Bank Public Company Limited for the principal sum of 33 million Baht, all further advances and all monies owed by the Company to Bangkok Bank Public Company Limited at any time.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
11.	3rd Floor St. Louis Square 149/1-10 Chan Road, Tung Wat Don, Sathorn Bangkok 10120 Thailand	The property comprises 11 units on 3rd floor of a 6-storey commercial building completed in about 1999. The property has a total gross floor area of approximately 659 sq.m. (7,093.48 sq.ft.). The property is rented to SNP Siriwattana Company Limited from an independent third party for a term of 4 years commencing from 19 March, 2002 and expiring on 18 March, 2006, at a monthly rent of Baht50,000 exclusive of management fees and other outgoings.	The property is currently occupied by the Group for office purposes.	No commercial value

Note:

1. We have not attributed any commercial value to the property due mainly to the short-term nature of the lease and the prohibition against assignment or sub-letting.

VALUATION CERTIFICATE

Group IV – Property interests rented and occupied by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
12.	Unit A 6th Floor Sunview Industrial Building No. 3 On Yip Street Chai Wan Hong Kong	The property comprises a unit on the 6th floor of a 14-storey industrial building completed in about 1978. The property has a total gross floor area of approximately 299.15 sq.m. (3,220 sq.ft.). The property is rented to SNP Excel United Company Limited from an independent third party for a term of 2 years commencing from 11 July, 2002 and expiring on 10 July, 2004 at a monthly rent of HK$10,000 exclusive of Government rates, management fees and all outgoings.	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	No commercial value

Note:

1. The term of the tenancy expired on 10 July, 2004. The Company is now liaising with the landlord to renew the tenancy at the rent of HK$9,000 for a term of 2 years. The tenant has signed and returned the renewal tenancy agreement to the landlord for his execution. The tenant now occupies the property on a monthly basis pending execution of the renewal tenancy agreement by the landlord.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
13.	25th Floor and Lorry Car Park Nos. 14 and 15 (originally designated as Lorry Car Park No. L9) on 1st Floor Sino Favour Centre 1 On Yip Street Chai Wan Hong Kong	The property comprises the whole of 25th floor in a 29-storey industrial building completed in about 1996. The property has a total gross floor area of approximately 1,015 sq.m. (10,926 sq.ft.). The property is rented to SNP Excel United Company Limited from an independent third party for a term of 2 years commencing from 1 May, 2003 and expiring on 30 April, 2005, at a monthly rent of HK$87,408 exclusive of rates, management fees and other outgoings in respect of the 25th Floor and at a monthly rent of HK$7,000 inclusive of rates and management fees in respect of the lorry car parks. The lessee is entitled to two rent free periods from 1 May, 2003 to 30 June, 2003 and from 1 May, 2004 to 30 June, 2004 in respect of the 25th Floor of the property.	The property is currently occupied by the Group for office, storage, carparking and loading purposes.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
14.	Flat 2G and Car Parking Space No. 60 Mandarin Villa 10 Shiu Fai Terrace Hong Kong	The property comprises a unit on 2nd floor of a 12-storey residential building completed in about 1973. The property has a total gross floor area of approximately 121 sq.m. (1,300 sq.ft.). The property is rented to Flamonson Limited from an independent third party for a term of 2 years commencing from 25 July, 2003 and expiring on 24 July, 2005, at a monthly rent of HK$13,000 inclusive of rates and management fees.	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. According to a recent land registry search, the registered address of the property is known as Flat 5 on 2nd Floor, West Block and Car Parking Space No. 60, Mandarin Villa, 10 Shiu Fai Terrace, Hong Kong.

2. The property is subject to Legal Charge/Mortgage Memorial No. 7309960 in favour of Standard Chartered Bank.

3. The relevant consent of the mortgagee for the grant of tenancy in respect of the property has not been obtained. If the landlord defaults on the mortgage, the mortgagee can enforce the mortgage against the landlord and the mortgagee may evict the tenant from the property without paying any compensation or incurring any liability to the tenant.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
15.	Workshop Nos. 4 and 11 together with the flat roof on 3rd Floor Honour Industrial Centre 6 Sun Yip Street Chai Wan Hong Kong	The property comprises 2 industrial units on 3rd floor of a 27-storey industrial building completed in about 1990. The property has a total gross floor area of approximately 303 sq.m. (3,260 sq.ft.). Workshop No. 4 of the property is rented to SNP Best-Set Typesetter Limited (全美排版有限公司) from an independent third party for a term of 1 year commencing from 1 May, 2004 and expiring on 30 April, 2005, at a monthly rent of HK$19,000 exclusive of rates, management fees and other outgoings. Workshop No. 11 together with the flat roof of the property is rented to SNP Best-Set Typesetter Limited (全美排版有限公司) from an independent third party for a term of 2 years commencing from 9 September, 2002 and expiring on 9 September, 2004, at a monthly rent of HK$8,600 exclusive of rates, management fees and other outgoings.	The property is currently occupied by the Group for industrial and ancillary office purposes.	No commercial value

Notes:

1. Workshop No. 4 of the property is subject to mortgage to secure banking facilities Memorial No. 6419546 in favour of the Hongkong and Shanghai Banking Corporation Limited.

2. The relevant consent of the mortgagee for the grant of tenancy in respect of Workshop No. 4 has not been obtained. If the Landlord defaults on the mortgage, the mortgagee can enforce the mortgage against the landlord and the mortgagee may evict the tenant from Workshop No. 4 without paying any compensation or incurring any liability to the tenant.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
16.	Apartment D on 2nd Floor of Block 5 and a car parking space The Mount Austin 8 Mount Austin Road Hong Kong	The property comprises a car parking space and an apartment on level 2 of a 6-storey residential building completed in about 2002. The property has a gross floor area of approximately 1,103 sq.ft.. The property is currently rented to SNP Leefung Printers Limited from an independent third party, named Jadespring Limited for a term of 2 years commencing from 2 August, 2004 and expiring on 1 August, 2006 at a monthly rent of HK$40,500 inclusive of rates, Government rent and management fees but exclusive of water and electricity charges, with the right to early terminate the tenancy by giving 3 months' notice or rent in lieu after the first 12 months of the term.	The property is currently occupied by the Group for residential purposes.	No commercial value

Notes:

1. The registered owner of the property is Jadespring Limited.

2. An offer letter was issued by the landlord on 16 June, 2004 and accepted by the tenant on 18 June, 2004. The formal tenancy agreement has been signed by the tenant and has been forwarded to the landlord pending its execution.

VALUATION CERTIFICATE

Group V – Property interests rented and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
17. Four parcels of land and various buildings and structures located at Langwei Road Xiaolong Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 38,300.1 sq.m. and 12 buildings and ancillary structures erected thereon. The buildings mainly include a 3-storey industrial building, a 5-storey dormitory, a warehouse, a workshop, 2 simple-structured factories, 2 dangerous goods storage rooms, a transformer room, 2 material-sheds and a guard house. The buildings were completed between 1995 and 2001. The buildings have a total gross floor area of approximately 29,100 sq.m. (313,232.4 sq.ft.) The property is rented to SNP Excel United Company Limited from an independent third party by 4 tenancy agreements for a common term expiring on 31 December, 2043. *(see notes below)*	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	No commercial value

Notes:

1. Pursuant to four Tenancy Agreements entered into between Xiaolong Village Economic Cooperative Shiji Town, Panyu District, Guangzhou City 番禺市石碁鎮小龍村經濟合作社 and SNP Excel United Company Limited and endorsed by Panyu Excel Printing United Company Limited, the following land parcels together with the buildings erected upon were leased to SNP Excel United Company Limited for the use of Panyu Excel Printing United Company Limited for a common term expiring on 31 December, 2043.

Description	Site Area *(sq.m.)*	Monthly Rent *(RMB)*	Term Commencement	Term Expiry	Date of Tenancy Agreement
Land #1	20,666.0	74,397.00	31/12/1993	31/12/2043	11/09/1993
Land #2	3,097.8	5,576.00	31/12/1993	31/12/2043	11/09/1993
Land #3	13,984.3	26,682.00	01/05/1998	31/12/2043	09/03/1998
Land #4	552.0	877.68	01/01/2000	31/12/2043	01/01/2000
	38,300.1	107,532.68			

Rent Review

Land #1 The current rent is RMB74,397 which will increase to RMB89,277 from 1 January, 2005 and will be subject to rental increase of 6% at 3 yearly intervals thereafter.

Land #2 The current rent is RMB5,576 which will increase to RMB5,911 from 1 January, 2006 and will be subject to rental increase of 6% at 3 yearly intervals thereafter until the rent reach the level of RMB3.20 per sq.m..

Land #3 The current rent is RMB26,682 which will increase to RMB28,276 from 1 May, 2006 and will be subject to rental increase of 6% at 3 yearly intervals thereafter until the rent reach the level of RMB3.20 per sq.m..

Land #4 The current rent is RMB878 which will increase to RMB930 from 1 January, 2007 and will be subject to rental increase of 6% at 3 yearly intervals thereafter.

2. According to the above Tenancy Agreements (except Tenancy Agreement of Land #4), SNP Excel United Company Limited shall construct its own factories, dormitory and ancillary facilities. SNP Excel United Company Limited shall thereafter lease the lands together with the buildings erected upon from Xiaolong Village Economic Cooperative, Shiji Town, Panyu District, Guangzhou City (番禺市石碁鎮小龍村經濟合作社) for the terms stated in note 1. For reference purposes, the depreciated replacement costs for the buildings is HK$13,700,000.

3. According to our recent on-site inspection, the following buildings are erected on the land with a site area of 34,003.3 sq.m.

Descriptions	**No. of Storey**	**Year of Completion**	**Gross Floor Area** *(sq.m.)*
Factory Building	3	1995	11,464.2
Dormitory Building	5	1995	2,872.9
Warehouse	1	1998	1,300.0
Simple-structured factory #1	1	1998	3,072.0
Simple-structured factory #2	1	1998	3,072.0
Material-Shed #1	1	1998	478.4
Material-Shed #2	1	1998	636.6
Workshop	1	1998	608.2
Dangerous Good Storage #1	1	2000	54.6
Dangerous Good Storage #2	1	2000	61.9
Transformer Room	1	2000	54.0
Guard House	1	1995	38.0
Total:			23,712.8

4. According to the Tenancy Agreement of Land #4, an industrial building with a gross floor area of 5,387.2 sq.m. was leased by SNP Excel United Company Limited for a term expiring on 31 December, 2043 at a monthly rent RMB28,552 for industrial uses.

5. Pursuant to a Stated-owned Land Use Rights Certificate, Pan Fu Guo Yong (2001) Zi Di No. G08-000292 (番府國用(2001)字第G08-000292號), issued by the People's Government of Guangdong Province on 28 August, 2001, a parcel of land with a site area of approximately 34,003.3 sq.m. is held by Xiaolong Village Economic Cooperative, Shiji Town, Panyu City (番禺市石碁鎮小龍村經濟合作社) for a term expiring on 7 December, 2044.

6. Pursuant to 2 Real Estate Title Certificates, Yue Fang Di Zheng Zi Di No. C1140356 and C1140357 (粵房地證字第C1140356及C1140357號), both issued by the People's Government of Guangdong Province on 31 October, 2002, a 3-storey industrial building with a gross floor area of approximately 11,464.2 sq.m. and a 5-storey dormitory with a gross floor area of approximately 2,872.9 sq.m. were held by Xiaolong Village Economic Cooperative, Shiji Town, Panyu City (廣州市番禺區石碁鎮小龍村經濟合作社) for a term expiring on 7 December, 2044 for industrial uses.

7. According to the information provided by the Group, the net book value of the property together with property no. 9 as at 30 April, 2004 was HK$28,606,132.

8. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

(i) The tenancy agreements in respect of Land #1-4 have not been registered with the state-owned land administration authority. The relevant authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties.

(ii) The construction work planning procedure and the fire safety and construction completion inspections have not been carried out in respect of the buildings (save and except those mentioned in note 6 above). The relevant government authority may order completion of such procedures, demolition of such buildings or require ratification work to be carried out and impose penalty.

(iii) The landlord has the right to lease the land and buildings mentioned in notes 5 and 6 above to the tenant but it does not have the right to lease the land and buildings other than those mentioned in notes 5 and 6. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant. The tenancy agreements are binding on the parties thereto but not third party.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
18.	An industrial building in Bangjiangdong Village Shilian Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a warehouse with dormitory facilities completed in about 2001. The property has a gross floor area of approximately 10,336 sq.m. (111,256.7 sq.ft.) **GFA** *(sq.m.)* / **GFA** *(sq.ft.)* Warehouse 6,970 / 75,025.08 Dormitory 3,366 / 36,231.62 Total 10,336 / 111,256.70 The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for a term of 12 years commencing from 1 March, 2001 at a monthly rent of RMB113,696 exclusive of all outgoings subject to increase of 10% every 3 years.	The property is currently occupied by the Group for warehouse and dormitory purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 番禺區石基傍江東經濟發展公司 and Panyu Excel Printing United Company Ltd., an industrial building together with dormitory facilities were leased to Panyu Excel Printing United Company Ltd. for a term of 12 years commencing from 1 March, 2001 at a monthly rent of RMB113,696 exclusive of all outgoings subject to increase of 10% every 3 years.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

   (ii) According to 4 building construction planning permits, the owner of the land of the property is Bangjiangdong Village Economic Cooperative, Shiji Town, Panyu City. As confirmed by the owner, the landlord and the owner belong to the same economic organization. The landlord has the right to lease the property. According to the documents provided and the search results, there is no evidence to show that the owner or the landlord has obtained land use right certificate or building ownership certificate of the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, its failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
19.	Portions of a simple-structured warehouse Warehouses Nos. 2 and 3, 4th Floor of Warehouse No. 2, Lianhuashan warehouses Lianhuashan Port Panyu District Guangzhou City Guangdong Province The PRC	The property comprises unallocated *(see note 2 below)* portions of a simple-structured warehouse and warehouses Nos. 2 and 3 and the whole 4th floor of warehouse No. 2. The 4th floor of warehouse No. 2 has a gross floor area of approximately 1,000 sq.m. (10,764 sq.ft.) The 4th floor of warehouse No. 2 is rented to Panyu Excel Printing United Company Ltd. from an independent third party for an unspecified term commencing from 27 June, 2001 at a monthly rent of RMB18,000 exclusive of all outgoings. Panyu Excel Printing United Company Ltd. also leased portions of a simple-structured warehouse and 2 other warehouses on a daily basis. *(see note 2)*	The property is currently occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Panyu District Port Industry Company Lianhuashan Warehouse (番禺區口岸實業公司蓮花山公共保稅庫) and Panyu Excel Printing United Company Ltd. dated 25 June, 2001, the 4th floor of warehouse No. 2 is leased to Panyu Excel Printing United Company Ltd. for an unspecified term commencing from 27 June, 2001 at a monthly rent of RMB18,000 exclusive of all outgoings.

2. Pursuant to a Tenancy Agreement entered into between Panyu District Port Industry Company Lianhuashan Bonded Warehouse (番禺區口岸實業公司蓮花山公共保稅庫) and Panyu Excel Printing United Company Ltd. dated 7 March, 2000, Panyu District Port Industry Company Lianhuashan Warehouse (番禺區口岸實業公司蓮花山公共保稅庫) agrees to lease the simple-structured warehouse at a daily rent of RMB0.8 per ton and warehouse no. 2 and 3 at a daily rent of RMB1 per ton for an unspecified term commencing from 7 March, 2000. There is no set area occupied by Panyu Excel Printing United Company Ltd. as the area varies dependant on the amount of storage.

3. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The tenancy agreements have not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreements are binding on the parties thereto.

   (ii) As no land use right certificate or building ownership certificate has been produced, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
20. Various residential units located at Jiafu Garden Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises 7 residential units in residential development completed in about 1996. The property has a total gross floor area of approximately 1,197.8 sq.m. (12,893.12 sq.ft.) The property is rented to Panyu Excel Printing United Company Ltd. from independent third parties for various terms. *(see note 1)*	The property is currently occupied by the Group for residential purposes.	No commercial value

Notes:

1. Pursuant to 7 Tenancy Agreements, Panyu Excel Printing United Company Ltd. has leased the following 7 residential units in Jiafu Garden, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC.

Unit	Gross Floor Area *(sq.m.)*	Monthly Rent *(RMB)*	Lease Term
A40	260	2,000	01/01/2004 – 31/12/2004
A36	260	2,000	01/01/2004 – 30/12/2004
C4-A3	95	700	01/01/2004 – 30/12/2004
C2-A5	95	700	01/01/2004 – 31/12/2004
D7-A3	114.3	900	01/07/2003 – 30/06/2004
D11-A2	113.5	900	01/07/2003 – 30/06/2004
A19	260	2,200	01/02/2004 – 31/01/2006

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The tenancy agreements have not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreements to be binding on the parties. The tenancy agreements are binding on the parties thereto.

   (ii) Units D7-A3 and D11-A2 are jointly owned by the respective landlord and a third party. If no consent has been obtained from such third party owner for the leasing of the units and such third party owner claims damages from the tenant, the respective landlord shall be responsible for the tenant's loss.

   (iii) As the real estate title certificates of Units A40, A36, C4-A3, C2-A5 and A19 have not been produced, the PRC legal adviser cannot confirm that the respective landlord has the right to lease the relevant unit. If the tenant is evicted from the unit due to any dispute on the landlord's ownership to the same, his failure to obtain the real estate title certificate or resumption of the property, the respective landlord shall be responsible for all damages suffered by the tenant.

3. As advised by the Company, it is now liaising with the respective landlords to renew the tenancies of Units D7-A3 and D11-A2.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
21.	Portion of a warehouse and a dormitory building Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a warehouse and a dormitory. The buildings were completed between 1997 and 1998. The buildings have a total gross floor area of approximately 1,980.4 sq.m. (21,317.03 sq.ft.)	The property is currently occupied by the Group for warehouse and dormitory purposes.	No commercial value

	GFA *(sq.m.)*	GFA *(sq.ft.)*
Warehouse	1,200.0	12,916.80
Dormitory	780.4	10,548.72
Total	1,980.4	23,465.52

The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for a term of 1 year expiring on 31 December, 2004 at a monthly rent of RMB19,700 inclusive of tax but exclusive of all outgoings.

Notes:

1. Pursuant to a Tenancy Agreement entered into between Dalong Metals and Steel Sash Factory (大龍五金鐵門廠) and Panyu Excel Printing United Company Ltd. on 1 January, 2004, the property was leased to Panyu Excel Printing United Company Ltd. for a term of a year expiring on 31 December, 2004 at a monthly rent of RMB19,700 inclusive of tax but exclusive of all outgoings.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The landlord is the legal owner of the property and has the right to lease the property to the tenant.

   (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
22.	A warehouse Langbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a warehouse completed in 1998. The buildings have a total gross floor area of approximately 720 sq.m. (7,750.08 sq.ft.) The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for a term expiring on 31 December, 2004 at monthly management fee of RMB4,680 inclusive of debris removal fee but exclusive of repairs and maintenance costs.	The property is currently occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Liang Ruibo (梁銳波) and Panyu Excel Printing United Company Ltd. on 9 May, 2002, the property was leased to Panyu Excel Printing United Company Ltd. for a term expiring on 31 December, 2004 at a monthly management fee of RMB4,680 inclusive of debris removal fee but exclusive of repairs and maintenance costs.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

   (ii) As no land use right certificate or building ownership certificate has been produced, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
23.	Unit 5D Jinfu Court Chengshi Garden Shilian Road West Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a unit on level 5 of a 20-storey residential building completed in 1993. The property has a gross floor area of approximately 73.7 sq.m. (793 sq.ft.) The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for a term expiring on 9 January, 2005 at monthly rent of RMB800 exclusive of all outgoings.	The property is currently occupied by the Group for residential purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Cen Guoren (岑國仁) and Panyu Excel Printing United Company Ltd. dated 10 November, 2002, the property was leased to Panyu Excel Printing United Company Ltd. for a term expiring on 9 January, 2005 at a monthly rent of RMB800 exclusive of all outgoings.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The property is jointly owned by the landlord and a third party. If no consent has been obtained from such third party owner for the leasing of the property and such third party owner claims damages from the tenant, the landlord shall be responsible for the tenant's loss.

   (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
24.	A factory building Xishe Longbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a factory building completed in 2003. The property has a gross floor area of approximately 4,293.48 sq.m. (46,215.02 sq.ft.) The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for an unspecified term commencing from 1 June, 2003 at monthly rent of RMB27,000 exclusive of all outgoings subject to rent review every 2 years not exceeding increase of 5%.	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Langbian Village Economic Cooperative (塱邊村經濟合作社) and Panyu Excel Printing United Company Ltd. dated 27 January, 2003, the property was leased to Panyu Excel Printing United Company Ltd. for an unspecified term commencing from 1 June, 2003 at a monthly rent of RMB27,000 exclusive of all outgoings subject to rent review every 2 years not exceeding increase of 5%.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

   (ii) As no land use right certificate or building ownership certificate has been produced, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
25.	46 dormitory units Longji Road North Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises 46 dormitory units in a residential building completed in 2003. The property has a total gross floor area of approximately 1,500 sq.m. (16,146 sq.ft.) The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for a term of 3 years commencing from 1 April, 2003 at monthly rent of RMB3,000 and management fee of RMB9,880 exclusive of all outgoings.	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Jiang Weihong (江偉洪) and Panyu Excel Printing United Company Ltd. dated 28 March, 2003, the property was leased to Panyu Excel Printing United Company Ltd. for a term of 3 years commencing from 1 April, 2003 at a monthly rent of RMB3,000 and management fee of RMB9,880 exclusive of all outgoings.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) According to the real estate title certificate of the property, the owner is Jiang Wei Hing. The landlord is authorised by the owner to lease the property.

   (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the owner and parties thereto. As the landlord has been authorised by the owner to lease the property, the chances of the tenant's rights under the tenancy agreement being challenged or objected by any third party is relatively low.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
26.	Unit 303 Block 4 Jinhaian Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a residential unit on level 3 of a residential building completed in 2003. The property has a total gross floor area of approximately 105 sq.m. (1,130.22 sq.ft.) The property is rented to Panyu Excel Printing United Company Ltd. from an independent third party for a term of 2 years commencing from 20 February, 2004 at monthly rent of RMB2,300 exclusive of all outgoings.	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Li Jianliang (李建良) and Panyu Excel Printing United Company Ltd. dated 18 February, 2004, the property was leased to Panyu Excel Printing United Company Ltd. for a term of 2 years commencing from 20 February, 2004 at a monthly rent of RMB2,300 exclusive of all outgoings.

2. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

   (ii) As no land use right certificate or building ownership certificate has been produced, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 August, 2004 *HK$*
27.	2nd and 3rd Floors No. 3 Da Song Gang Jiang Nan Main Avenue Guangzhou City The PRC	The property comprises the whole of 2nd and 3rd floors of a 9-storey industrial building completed in about 1994. The property has a total gross floor area of approximately 1,300 sq.m. (13,993.2 sq.ft.). The property is rented to Best-Set Typesetter Limited Guangzhou from an independent third party for a term commencing from 1 February, 2001 and expiring on 31 January, 2009, at a current monthly rent of RMB23,800 exclusive of all outgoings with the provision of rental increase for 10% per annum from the 4th year of the lease term.	The property is currently occupied by the Group for industrial purpose.	No commercial value

Notes:

1. We have been provided with legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:

   (i) According to the real estate title certificate of the property, the owner is the Street Office of the People's Government of Jiang Nan Main Avenue Central, Haizhu District, Guangzhou City. The landlord is authorised by the owner to lease the property.

   (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claims such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the owner and parties thereto. As the landlord has been authorised by the owner to lease the property, the chances of the tenant's rights under the tenancy agreement being challenged or objected by any third party is relatively low.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act 1981 of Bermuda (as amended) (the "Companies Act"). The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association of the Company empowers it to purchase its own shares and this power is exercisable by the Board of Directors (the "Board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws of the Company were adopted on 18 June, 2003. The following is a summary of certain provisions of the Bye-laws.

a. Shares

(i) Classes of Shares

The share capital of the Company consists of ordinary shares.

(ii) Share Certificates

Every certificate for shares or debentures or representing any other form of security of the Company shall be issued under the seal, which for this purpose may be a Securities Seal. The Directors may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon or that such certificates need not be signed by any person.

The Company shall not be bound to register more than four persons as joint holders of any share.

b. Directors

(i) Power to allot and issue shares

Subject to the provisions, if any, in that behalf of the Memorandum of Association and without prejudice to any special rights previously conferred on the holders of existing shares, any share may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of share capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same shall not make specific provision but subject to the provisions of the Companies Act and the Bye-Laws, as the Directors may determine) and any preference share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder is liable, to be redeemed.

Subject to the provisions of the Companies Act and to the consent of the Bermuda Monetary Authority being obtained, the Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine. Where share warrants are issued to bearer, no new warrant shall be issued to replace one that has been lost unless the Directors are satisfied beyond reasonable doubt that the original has been destroyed and have received an indemnity in satisfactory form with regard to the issue of any new warrant.

Subject to the provisions of the Companies Act and of the Bye-Laws relating to new shares, and the consent of the Bermuda Monetary Authority being obtained, all unissued shares in the Company including any new shares created upon an increase of capital shall be under the control of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions and at such times as the Directors shall in their sole and absolute discretion think fit, but so that no shares shall be issued at a discount, except in accordance with the provisions of the Companies Act.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarized in section 4(n) of this Appendix.

(v) Financial assistance to acquire shares of the Company

(aa) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with any scheme for the time being in force and approved by the members in general meeting provide, directly or indirectly, money or other financial assistance for the purchase of, or subscription for, fully or partly paid shares in the Company or any holding company of the Company, being a purchase of or subscription for shares by a trustee of or to be held by or for the benefit of employees of the Company, any of its subsidiaries, any holding company of the Company or any subsidiary of any such holding company, in each such case whether incorporated in Bermuda or elsewhere, including any Directors holding a salaried employment or office with or in any such company and so that the residual beneficiary of any such trust may be or include a charitable object.

(bb) Subject, where applicable, to the rules of any relevant stock exchange, the Company may give financial assistance on such terms as the Directors think fit to directors and bona fide employees of the Company, its subsidiaries and any holding company of the Company and/or any subsidiary of any such holding company, in each such case whether incorporated in Bermuda or elsewhere, in order that they may buy shares (fully or partly paid) in the Company or any holding company of the Company and such terms may include a provision stating that when a director ceases to be a director of, or any employee ceases to be employed by the Company or such other company, shares bought with such financial assistance shall or may be sold to the Company or such other company on such terms as the Directors think fit.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Subject to the Companies Act, a Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, member or otherwise and, subject to the Act, no such Director shall be accountable to the Company for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. Subject to the provisions of the Act the Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them as directors or other officers of such company) and any Director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or be about to be, appointed a director or other officer of such a company and that as such he is or may become interested in the exercise of such voting rights in the manner aforesaid.

Subject to the provisions of the Companies Act a Director may hold any other office or place of profit with the Company (other than the office of Auditors) in conjunction with his office of Director for such period and on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested (whether or not such contract or arrangement is with any person, company or partnership of or in which any Director shall be a member) be liable to be avoided on that account nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall forthwith disclose the nature of his interest in any contract or arrangement in which he is interested as required by and subject to the provisions of the Companies Act and the Bye-Laws. A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his associates has a material interest, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:

(aa) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company and any of its subsidiaries;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;

(cc) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares of any class of shares of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his associate(s) and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s), as such any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and

(gg) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.

(vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office.

The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

Any Director who, by request of the Directors or the Company, goes or resides outside the jurisdiction in which he normally resides for any purpose of the Company or holds any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission, participation in profits or otherwise as the Directors may determine.

Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third) will retire from office by rotation save for any executive chairman and managing director. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than three. A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company).

The Board may elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Directors may from time to time entrust to and confer upon a Managing Director, Joint Managing Director, Deputy Managing Director, Executive Director, General Manager or Joint General Manager or a Director appointed to any other office in the management or business of the Company any of the powers exercisable by them as Directors upon such terms and conditions and with such restrictions as they think fit and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers but no person dealing in good faith and without notice of such revocation, withdrawal, alteration or variation shall be affected thereby.

(ix) Borrowing powers

The Board may exercise all the powers of the Company to borrow money, give guarantees and mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

c. Alterations to constitutional documents

The Memorandum of Association of the Company may, with the consent of the Minister of Finance of Bermuda (the "Minister"), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

d. Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital by the creation of new shares;

(ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; and

(vi) change the currency denomination of its share capital.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised and subject to any conditions prescribed by law.

e. Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

f. Special resolutions – majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

g. Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote and on a poll, every member present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Where the Company has knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

h. Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the Company's registered office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

j. Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by twenty-one days' notice in writing at least and any other special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given or issued under the Bye-laws shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by delivering or leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter.

k. Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless a fee of such sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more newspapers circulating in Hong Kong, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

l. Power for the Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

n. Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Bye-Law as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly. The Directors may deduct from any dividend, bonus or distribution payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise in relation to the shares of the Company.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

No member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another member who is entitled) at any general meeting, either personally or by a duly authorised corporate representative or by proxy or be reckoned in a quorum or to exercise any other privilege as a member until all calls and instalments due from him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

o. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes, whether on a show of hands or on a poll may be given either personally or by a duly authorised corporate representative or by proxy. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that member is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise including the right to vote individually on a show of hands.

p. Calls on shares and forfeiture of shares

The Board may from time to time make such calls as they may think fit upon the members in respect of all or any part of the moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares and/or by way of premiums) and not by the conditions of issue or allotment thereof made payable at a date fixed by or in accordance with such terms of issue or allotment; and each member shall (subject to receiving at least fourteen (14) days' notice specifying the time and place of payment and to whom such call shall be paid) pay to the Company at the time and place and to the person so specified the amount called on his shares. A call shall be deemed to have been made when the resolution of the Board authorising such call is passed and may be made payable in one sum or by instalments. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding any subsequent transfer of the shares in respect of which the call was made.

If a member fails to pay in full any call or instalment of a call on the day appointed for the payment thereof, the Board may at any time thereafter during such time as any part of the call or instalment remains unpaid, without prejudice to the provisions of Bye-Laws, serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

q. Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members.

r. Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy or by a duly authorised corporate representative one-third in nominal value of the issued shares of that class.

s. Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 4(o) of this Appendix.

t. Procedures on liquidation

If the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding-up on the shares held by them respectively. If in a winding-up the assets available for distribution among the members are more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding-up paid up by them respectively. The Bye-Law shall not add to or detract from the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up (whether voluntarily or under supervision of or by the court), the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

u. Stock

The Company may by ordinary resolution convert any fully paid up shares into stock, and may from time to time by like resolution reconvert any stock into fully paid up shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words "share" and "member" therein shall include "stock" and "stockholder".

v. Untraceable members

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-Laws of the Company have remained uncashed;

(ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;

(iii) the Company, if so required by the rules of the relevant stock exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the relevant stock exchange to be made of its intention to sell such shares in the manner required by the relevant stock exchange, and a period of three (3) months or such shorter period as may be allowed by the relevant stock exchange has elapsed since the date of such advertisement.

w. Other provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

Note: The Companies Act prevents a company from giving financial assistance in the subscription of its shares (subject to certain exceptions). A subscription right reserve may only be created and used for the above purpose if an exception applies.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association of the Company may be altered by the Company in general meeting and if the Company intends to adopt any objects enabling it to carry on any "restricted business activity" for the purposes of the Companies Act, the prior consent of the Minister will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where permitted, by proxy at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution as a special resolution has been duly given. The requirement of 21 days' notice may be waived (a) in the case of a special general meeting, by a majority number of the members having the right to attend and vote at the relevant meeting, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right; and (b) in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat.

4. BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act, on 3 June, 1991. The Company was brought into existence by depositing the Memorandum of Association with the Registrar of Companies in Bermuda (the "Registrar").

b. Constituent documents

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association shall not be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister's consent to alter the Memorandum of Association if they include special objects enabling the Company to carry on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD$1,780 and the maximum fee being BD$27,825 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending 28 March, 2016.

d. Stamp duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1 April, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

e. Prospectus issues and public offers

The Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying: (i) that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company; or (ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:

Appointed Stock Exchanges

The Alberta Stock Exchange	London Stock Exchange – Alternative Investment Market (AIM)
American Stock Exchange, Inc.	Société de la Bourse de Luxembourg S.A.
Australian Stock Exchange Ltd.	Bourse de Montreal
The Bermuda Stock Exchange	National Association of Security Dealers Automated Quotations System (NASDAQ)
Boston Stock Exchange, Inc.	New York Stock Exchange, Inc.
Canadian Dealing Network	New Zealand Stock Exchange

Appointed Stock Exchanges

Canadian Venture Exchange	Oslo BØrs
European Association of Security Dealers Automated Quotation S.A. (EASDAQ)	Paris Bourse
Frankfurt Stock Exchange	Shanghai Stock Exchange
The Stock Exchange of Hong Kong Ltd.	Singapore Exchange Securities Trading Limited
The Irish Stock Exchange	Swiss Exchange
The Johannesburg Stock Exchange	Tokyo Stock Exchange
The Kuala Lumpur Stock Exchange	The Toronto Stock Exchange
London Stock Exchange	Vancouver Stock Exchange
	Viennese Stock Exchange

Competent Regulatory Authorities

Austrian Federal Ministry of Finance
Bermuda Monetary Authority
Hong Kong Securities and Futures Commission
Luxembourg Commissariat aux Bourses
Ontario Securities Commission
Swiss Exchange
United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:

(i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;

(ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;

(iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;

(iv) working capital; and

(v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (the "BMA"). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Under the terms of the consent given to the Company by the BMA, the issue of shares and warrants up to the authorised share capital from time to time of the Company to and any transactions in issued shares and warrants between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission from that Authority.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share capital

The Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company's shares in specific circumstances.

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of share capital

A company may if authorised by a general meeting of the members of the company and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

i. Purchase by the Company of its own shares

The Companies Act permits the Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see “Dividends” below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company’s share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company’s issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company’s authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister ie. through the mechanism required or permitted by an appointed stock exchange.

k. Dividends and distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

l. Charges on the assets of the Company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

m. Management and administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:

(a) a secretary and a resident representative; or

(b) a secretary and a director; or

(c) two directors,

all of whom **must** be individuals ordinarily resident in Bermuda.

Exempted companies, the shares of which are listed on an appointed stock exchange, may appoint a resident representative in Bermuda in place of the other Bermuda resident officers, who or which may be either an individual or a corporate entity, whose statutory rights, duties and obligations are established by the Companies Act.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

n. Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

o. The investigation of the affairs of a company and the protection of minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

p. Inspection of corporate records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the activities of exempted companies

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:

(i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;

(ii) take any mortgage of land in Bermuda (subject to certain exceptions); and

(iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an “exempted company”. Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. In addition there are restrictions imposed upon the percentage of Bermudian ownership that will be permitted. Furthermore, as an exempted company, the Company has been designated as “non resident” for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

r. Accounting and auditing requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:

(i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;

(ii) all sales and purchases of goods by the company; and

(iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD$500.00 (approximately equivalent in value to US$500.00), for the time being.

s. Auditing requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:

(i) financial statements for the period, which shall include:

(aa) a statement of the results of operations for such period;

(bb) a statement of retained earnings or deficits;

(cc) a balance sheet at the end of such period;

(dd) a statement of changes in the financial position for the period;

(ee) notes to the financial statements;

(ff) such further information as required by the Companies Act and the company's memorandum of association and its bye-laws;

(ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and

(iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Bermuda Act also provides that companies listed on an appointed stock exchange may send summarized financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarized financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarized financial statements must be derived from the company's financial statements and shall include:

(a) a summarized report of the unabridged financial statements;

(b) such further information extracted from the financial statements as the board of directors considers appropriate; and

(c) a statement that it is only a summarized version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and discontinuation of companies

(i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and

(ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

u. Winding-up and liquidation provisions of Bermuda legislation

(i) Introduction

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

(aa) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and

(bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) Voluntary winding-up

(aa) Members' Voluntary Winding-up – A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

(bb) Creditors' Voluntary Winding-up – A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) Compulsory winding-up:

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

(aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;

(bb) that the company is unable to pay its debts;

(cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver – a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

Set out below are the proposed amendments to the bye-laws of the Company mainly in compliance with the changes made to the Listing Rules by the Stock Exchange which became effective on 31 March, 2004.

(a) by inserting the following new definition in Bye-law 1(A):

"“associate” shall have the meaning attributed to it under the rules of the Designated Stock Exchange;";

(b) by inserting the following new Bye-law 40A after the existing Bye-law 40:

"40A All fully-paid shares are free from any restriction on the right of transfer (except when permitted by the Designated Stock Exchange) and are also free from all lien.";

(c) by inserting the following new Bye-law 72A after the existing Bye-law 72:

"72A Where the Company has knowledge that any member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.";

(d) by deleting the existing Bye-law 84 and inserting the following new Bye-law 84(A) and (B):

"84.(A) Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its corporate representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. References in these Bye-Laws to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented at the meeting by such duly authorised corporate representative or by one or more proxies. Nothing contained in this Bye-law shall prevent a corporation which is a member of the Company from appointing one or more proxies to represent it pursuant to Bye-law 77.

(B) If a Clearing House (or its nominee) is a member of the Company, it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one proxy or, corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is so appointed. A person so appointed under the provisions of this Bye-law shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise as if it were an individual member. The number of persons a Clearing House (or its nominee) may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by a Clearing House (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.";

(e) by deleting the existing Bye-law 87 and substituting therefor the following new Bye-law 87:

"No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his consent to be elected shall have been lodged at the head office of the Company. The period for lodgement of such notices shall commence on (and include) the day after the despatch of the notice of meeting appointed for such election and end on (and exclude) the date that is seven (7) days before the date appointed for the meeting.";

(f) by deleting the existing Bye-law 109(E) and substituting therefor the following new Bye-law 109(E):

"(E) (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate has a material interest, but this prohibition shall not apply to any of the following matters namely:

(i) the giving of any security or indemnity either:–

(a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:–

(a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company";

(g) by amending Bye-law 111 as follows:

(i) deleting the word "all" appearing in the first line of Bye-law 111 and substituting therefor with the words "not less than a majority of";

(ii) adding the words "provided that a copy of such resolution in writing shall be circulated for due consideration to all of the Directors or their alternates" after the words "duly convened and held" in the sixth line of Bye-law 111; and

(iii) inserting the words "and all the Directors shall be entitled to be provided with a copy of such signed resolution" at the end of the second sentence in Bye-law 111 before the full stop "."; and

(h) by inserting the following words after the words "in advance and the Directors" in the seventh line of Bye-law 26:

"but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up".

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and the Acquired Companies. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

SHARE CAPITAL

The Company

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
500,000,000	Existing Shares of HK$0.10 each	50,000,000
Issued and fully paid up:		
402,726,918	Existing Shares of HK$0.10 each	40,272,692

The entire issued share capital of the Company is listed on the main board of the Stock Exchange. No part of the share or loan capital of the Company is listed on any other stock Exchange other than the Stock Exchange.

The Acquired Companies

The authorised and issued share capital of Excel as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
7,000,000	Existing shares of HK$1.00 each	7,000,000
Issued and fully paid up:		
7,000,000	Existing shares of HK$1.00 each	7,000,000

The registered and issued share capital of SPrint as at the Latest Practicable Date were as follows:

Registered:		*Baht*
10,780,000	Common shares of Baht10 each	107,800,000
11,220,000	Preference shares of Baht10 each	112,200,000
Issued and fully paid up:		*Baht*
10,780,000	Common shares of Baht10 each	107,800,000
11,220,000	Preference shares of Baht10 each	112,200,000

The registered and issued share capital of CTT as at the Latest Practicable Date were as follows:

Registered:		*Baht*
4,900	Common shares of Baht100 each	490,000
5,100	Preference shares of Baht100 each	510,000
Issued and fully paid up:		*Baht*
4,900	Common shares of Baht100 each	490,000
5,100	Preference shares of Baht100 each	510,000

Changes in the capital of the Enlarged Group

On 9 December, 2002, the issued share capital of the Company has been reduced from HK$40,273,691.80 divided into 402,736,918 Shares of HK$0.10 each to HK$40,272,691.80 divided into 402,726,918 Shares of HK$0.10 each by repurchasing 10,000 Shares of HK$0.10 for cash.

On 9 December, 2003, the total investment and registered capital of 利豐雅高包裝印刷(東莞)有限公司 (SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.) has been increased from US$15 million to US$16.25 million by an amount of US$1.25 million fully paid up.

Save as disclosed in this circular, no principal operating subsidiaries of the Enlarged Group have altered their capital within the two years immediately preceding the issue of this circular.

INFORMATION ON JOINT VENTURES OF THE ENLARGED GROUP

Set out below are brief particulars of all the joint ventures of the Enlarged Group as at the Latest Practicable Date, all of which are established in the PRC:

1. 北京利豐雅高長城印刷有限公司 (Beijing SNP Leefung Changcheng Printers Co., Ltd.)

(A)	Date of establishment:	9 May, 1993
(B)	Term:	from 9 May, 1993 to 9 May, 2018
(C)	Total investment:	US$20,770,000
(D)	Registered capital:	US$18,500,000 (fully paid up)
(E)	Scope of business:	Colour separation/typesetting, printing and binding and layout of books.

2. 上海紡印利豐印刷包裝有限公司 (Shanghai Fan Yin Leefung-Asco Printing & Packing Co., Ltd.)

(A)	Date of establishment:	2 July, 1993
(B)	Term:	2 July, 1993 to 1 July, 2013
(C)	Total investment:	US$20,000,000
(D)	Registered capital:	US$12,025,000 (fully paid up)
(E)	Scope of business:	Printing of all kinds of printed matters and packing materials; printing of ordinary trademarks and trademarks of human medicines and tobacco products.

3. 深圳利豐雅高印刷有限公司 (Shenzhen SNP Leefung Printers Co., Ltd.)

(A)	Date of establishment:	30 September, 1994
(B)	Term:	from 30 September, 1994 to 30 September, 2044
(C)	Total investment:	US$1,500,000
(D)	Registered capital:	US$1,500,000 (fully paid up)
(E)	Scope of business:	Typesetting, printing, binding and packaging business.

4. 廣州全美印務有限公司 (Best-Set Typesetter Limited Guangzhou)

(A)	Date of establishment:	4 February, 1994
(B)	Term:	from 4 February, 1994 to 4 February, 2006
(C)	Total investment:	US$450,000
(D)	Registered capital:	US$450,000 (fully paid up)
(E)	Scope of business:	Production and processing of printing boards for laser printing and typesetting for export; and sale of self-produced products.

5. 深圳利豐雅高電分制版有限公司 (Shenzhen SNP Leefung Graphics Co., Ltd.)

(A)	Date of establishment:	7 October, 1997
(B)	Term:	from 7 October, 1997 to 7 October, 2047
(C)	Total investment:	US$1,500,000
(D)	Registered capital:	US$1,500,000 (fully paid up)
(E)	Scope of business:	Engage in electronic color separation/typesetting, computer design and colour proof-making business. Add: Binding of printed matters and packaging.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the following Directors and chief executives of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

(1) Long positions in shares and underlying shares of the Company

(a) Ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of shares held	Percentage of issued share capital
Yang Sze Chen, Peter	Beneficial owner	900,000	0.22%
	Held by controlled corporation *(Note)*	16,514,867	4.10%
		17,414,867	4.32%
Kyle Arnold Shaw Junior	Beneficial owner	324,000	0.08%
		17,738,867	4.40%

Note: These Shares were held through Team Long Development Limited, a company that was wholly owned by Mr. Peter, Yang Sze Chen.

(b) Share options

Name of director	Capacity	Date of grant	Date of expiry	Number of share options held	Number of Shares subject to the options	Exercise price
						HK$
Yeo Chee Tong	Beneficial owner	9 October, 2003	8 October, 2013	450,000	450,000	1.45

The options granted by the Company may be exercised in accordance with the terms of the share option scheme adopted by the Company on 28 August, 2003 (the "2003 Scheme") as to:

(i) 25% of the options will be exercisable after the expiry of 12 months from the date of grant (the "First Exercise Date"); and

(ii) 25% of the options will be exercisable after the expiry of each successive 12 months period from the First Exercise Date.

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP")

(a) Ordinary shares of S$0.50 each of SNP

Name of director	Capacity	Number of shares held	Percentage of issued share capital
Yeo Chee Tong	Beneficial owner	870,553	0.75%
	Held by spouse	20,000	0.02%
		890,553	0.77%
Edmund, Cheng Wai Wing	Beneficial owner	35,000	0.03%
		925,553	0.80%

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP") ***(continued)***

(b) Share options of SNP

Name of directors	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
Peter, Yang Sze Chen	Beneficial owner	1,250	1,250	1.29	15 October, 2004 to 14 October, 2013
		1,250	1,250	1.29	15 October, 2005 to 14 October, 2013
		1,250	1,250	1.29	15 October, 2006 to 14 October, 2013
		1,250	1,250	1.29	15 October, 2007 to 14 October, 2013
		5,000	5,000		
Yeo Chee Tong	Beneficial owner	10,000	10,000	0.50	23 April, 2002 to 22 April, 2011
		10,000	10,000	0.50	23 April, 2003 to 22 April, 2011
		10,000	10,000	0.50	23 April, 2004 to 22 April, 2011
		10,000	10,000	0.50	23 April, 2005 to 22 April, 2011
		10,000	10,000	0.50	11 October, 2002 to 10 October, 2011
		10,000	10,000	0.50	11 October, 2003 to 10 October, 2011
		10,000	10,000	0.50	11 October, 2004 to 10 October, 2011
		10,000	10,000	0.50	11 October, 2005 to 10 October, 2011
		20,000	20,000	0.69	17 April, 2003 to 16 April, 2012
		20,000	20,000	0.69	17 April, 2004 to 16 April, 2012
		20,000	20,000	0.69	17 April, 2005 to 16 April, 2012
		20,000	20,000	0.69	17 April, 2006 to 16 April, 2012
		20,000	20,000	0.61	23 October, 2003 to 22 October, 2012

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP") ***(continued)***

(b) Share options of SNP (continued)

Name of directors	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
Yeo Chee Tong	Beneficial owner	20,000	20,000	0.61	23 October, 2004 to 22 October, 2012
		20,000	20,000	0.61	23 October, 2005 to 22 October, 2012
		20,000	20,000	0.61	23 October, 2006 to 22 October, 2012
		20,000	20,000	0.59	15 April, 2004 to 14 April, 2013
		20,000	20,000	0.59	15 April, 2005 to 14 April, 2013
		20,000	20,000	0.59	15 April, 2006 to 14 April, 2013
		20,000	20,000	0.59	15 April, 2007 to 14 April, 2013
		20,000	20,000	1.29	15 October, 2004 to 14 October, 2013
		20,000	20,000	1.29	15 October, 2005 to 14 October, 2013
		20,000	20,000	1.29	15 October, 2006 to 14 October, 2013
		20,000	20,000	1.29	15 October, 2007 to 14 October, 2013
		20,000	20,000	1.19	21 April, 2005 to 20 April, 2014
		20,000	20,000	1.19	21 April, 2006 to 20 April, 2014
		20,000	20,000	1.19	21 April, 2007 to 20 April, 2014
		20,000	20,000	1.19	21 April, 2008 to 20 April, 2014
		480,000	480,000		
Tay Siew Choon	Beneficial owner	5,000	5,000	0.50	23 April, 2002 to 22 April, 2011
		5,000	5,000	0.50	23 April, 2003 to 22 April, 2011
		5,000	5,000	0.50	23 April, 2004 to 22 April, 2011
		5,000	5,000	0.50	23 April, 2005 to 22 April, 2011
		50,000	50,000	0.71	17 April, 2003 to 16 April, 2007
		50,000	50,000	0.61	15 April, 2004 to 14 April, 2008
		70,000	70,000	1.19	21 April, 2005 to 20 April, 2009
		190,000	190,000		

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corporation Ltd ("SNP") ***(continued)***

(b) Share options of SNP (continued)

Name of directors	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
Edmund, Cheng Wai Wing	Beneficial owner	30,000	30,000	0.59	15 April, 2004 to 14 April, 2008
		50,000	50,000	1.19	21 April, 2005 to 20 April, 2009
		80,000	80,000		
John Robert Walter	Beneficial owner	30,000	30,000	0.50	23 April, 2002 to 22 April, 2006
		30,000	30,000	0.69	17 April, 2003 to 16 April, 2007
		30,000	30,000	0.59	15 April, 2004 to 14 April, 2008
		50,000	50,000	1.19	21 April, 2005 to 20 April, 2009
		140,000	140,000		
		895,000	895,000		

(3) Long positions in shares and underlying shares of other associated corporations of the Company

(i) Shares

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital
(a) Interest in Singapore Technologies Engineering Ltd			
Ordinary shares of S$0.10 each			
Yeo Chee Tong	Beneficial owner	2,568	0.00%
(b) Interest in ST Assembly Test Services Ltd			
Ordinary shares of S$0.25 each			
Tay Siew Choon	Beneficial owner	4,000	0.00%

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(i) Shares (continued)

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital
(c) Interest in Raffles Holdings Limited			
Ordinary shares of S$0.50 each			
Tay Siew Choon	Beneficial owner	10,000	0.00%
Wong Kwong Shing, Frank	Beneficial owner	5,000	0.00%
(d) Interest in Vertex Investment (II) Ltd			
Ordinary shares of US$1.00 each			
Tay Siew Choon	Beneficial owner	2	0.03%
(e) Interest in Vertex Technology Fund Ltd			
Ordinary shares of US$1.00 each			
Tay Siew Choon	Beneficial owner	20	0.02%
(f) Interest in Vertex Technology Fund (II) Ltd			
Ordinary shares of US$1.00 each			
Tay Siew Choon	Beneficial owner	500	0.33%
Redeemable preference shares of US$0.01 each			
Tay Siew Choon	Beneficial owner	500	0.33%
(g) Interest in SembCorp Industries Ltd			
Ordinary shares of S$0.25 each			
Tay Siew Choon	Beneficial owner	54,598	0.00%
(h) Interest in Singapore Food Industries Limited			
Ordinary shares of S$0.05 each			
Tay Siew Choon	Beneficial owner	100,000	0.02%
	Held by spouse	531,000	0.11%
		631,000	0.13%

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(i) Shares (continued)

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital
(i) Interest in Singapore Computer Systems Limited			
Ordinary shares of S$0.25 each			
Tay Siew Choon	Beneficial owner	471,000	0.31%
	Held by spouse	500,000	0.32%
		971,000	0.63%
(j) Interest in Singapore Telecommunications Ltd			
Ordinary shares of S$0.15 each			
Tay Siew Choon	Beneficial owner	1,680	0.00%
	Held by spouse	1,540	0.00%
		3,220	0.00%
Yeo Chee Tong	Beneficial owner	6,020	0.00%
	Held by spouse	1,740	0.00%
		7,760	0.00%
(k) Interest in SMRT Corporation Ltd			
Ordinary shares of S$0.10 each			
Tay Siew Choon	Beneficial owner	30,000	0.00%
(l) Interest in Telechoice International Limited			
Ordinary shares of S$0.02 each			
Tay Siew Choon	Beneficial owner	60,000	0.01%
Yeo Chee Tong	Beneficial owner	9,000	0.00%
		69,000	0.01%

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S$	Exercisable period
(a) Interest in Chartered Semiconductor Manufacturing Ltd					
Tay Siew Choon	Beneficial owner	23,443	23,443	4.26	15 August, 2002 to 15 August, 2006
		29,304	29,304	3.46	22 February, 2003 to 22 February, 2007
		234,439	234,439	3.88	1 May, 2002 to 1 May, 2007
		46,887	46,887	1.86	30 August, 2003 to 30 August, 2007
		25,000	25,000	0.72	28 February, 2004 to 28 February, 2008
		35,000	35,000	1.10	29 August, 2004 to 29 August, 2008
		60,000	60,000	1.70	27 February, 2005 to 27 February, 2009
		454,073	454,073		
(b) Interest in CapitaLand Limited					
Tay Siew Choon	Beneficial owner	13,462	13,462	1.91	13 June, 2001 to 11 June, 2005
		13,463	13,463	1.91	13 June, 2002 to 11 June, 2005
		13,462	13,462	1.91	13 June, 2003 to 11 June, 2005
		13,463	13,463	1.91	13 June, 2004 to 11 June, 2005
		12,500	12,500	1.85	19 June, 2002 to 18 June, 2006
		12,500	12,500	1.85	19 June, 2003 to 18 June, 2006
		12,500	12,500	1.85	19 June, 2004 to 18 June, 2006
		12,500	12,500	1.85	19 June, 2005 to 18 June, 2006
		10,000	10,000	1.19	11 May, 2003 to 10 May, 2007
		10,000	10,000	1.19	11 May, 2004 to 10 May, 2007
		10,000	10,000	1.19	11 May, 2005 to 10 May, 2007
		10,000	10,000	1.19	11 May, 2006 to 10 May, 2007

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
Tay Siew Choon	Beneficial owner	5,985	5,985	1.00	1 March, 2004 to 28 February, 2013
		5,985	5,985	1.00	1 March, 2005 to 28 February, 2013
		5,985	5,985	1.00	1 March, 2006 to 28 February, 2013
		5,985	5,985	1.00	1 March, 2007 to 28 February, 2013
		167,790	167,790		
(c) Interest in The Ascott Group Limited					
Tay Siew Choon	Beneficial owner	2,500	2,500	0.37	21 December, 2001 to 20 December, 2010
		2,500	2,500	0.37	21 December, 2002 to 20 December, 2010
		2,500	2,500	0.37	21 December, 2003 to 20 December, 2010
		2,500	2,500	0.37	21 December, 2004 to 20 December, 2010
		3,000	3,000	0.32	30 June, 2002 to 29 June, 2011
		3,000	3,000	0.32	30 June, 2003 to 29 June, 2011
		3,000	3,000	0.32	30 June, 2004 to 29 June, 2011
		3,000	3,000	0.32	30 June, 2005 to 29 June, 2011
		3,000	3,000	0.35	5 May, 2003 to 4 May, 2012
		3,000	3,000	0.35	5 May, 2004 to 4 May, 2012
		3,000	3,000	0.35	5 May, 2005 to 4 May, 2012
		3,000	3,000	0.35	5 May, 2006 to 4 May, 2012
		5,750	5,750	0.32	10 May, 2004 to 9 May, 2013
		5,750	5,750	0.32	10 May, 2005 to 9 May, 2013
		5,750	5,750	0.32	10 May, 2006 to 9 May, 2013
		5,750	5,750	0.32	10 May, 2007 to 9 May, 2013
		57,000	57,000		

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
(d) Interest in STT Communication Limited					
Tay Siew Choon	Beneficial owner	25,000	25,000	1.42	19 September, 2001 to 18 September, 2010
		25,000	25,000	1.42	19 September, 2002 to 18 September, 2010
		25,000	25,000	1.42	19 September, 2003 to 18 September, 2010
		25,000	25,000	1.42	19 September, 2004 to 18 September, 2010
		3,750	3,750	0.92	28 April, 2002 to 27 April, 2011
		3,750	3,750	0.92	28 April, 2003 to 27 April, 2011
		3,750	3,750	0.92	28 April, 2004 to 27 April, 2011
		3,750	3,750	0.92	28 April, 2005 to 27 April, 2011
		7,500	7,500	0.50	24 November, 2002 to 23 November, 2011
		7,500	7,500	0.50	24 November, 2003 to 23 November, 2011
		7,500	7,500	0.50	24 November, 2004 to 23 November, 2011
		7,500	7,500	0.50	24 November, 2005 to 23 November, 2011
		20,000	20,000	0.50	29 June, 2003 to 28 June, 2012
		20,000	20,000	0.50	29 June, 2004 to 28 June, 2012
		20,000	20,000	0.50	29 June, 2005 to 28 June, 2012
		20,000	20,000	0.50	29 June, 2006 to 28 June, 2012
		25,000	25,000	0.57	30 July, 2004 to 29 July, 2013
		25,000	25,000	0.57	30 July, 2005 to 29 July, 2013
		25,000	25,000	0.57	30 July, 2006 to 29 July, 2013
		25,000	25,000	0.57	30 July, 2007 to 29 July, 2013
		325,000	325,000		

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
(e) Interest in SembCorp Industries Ltd					
Tay Siew Choon	Beneficial owner	500,000	500,000	2.26	20 May, 2001 to 19 May, 2009
		125,000	125,000	1.99	27 June, 2001 to 26 June, 2010
		125,000	125,000	1.99	27 June, 2002 to 26 June, 2010
		125,000	125,000	1.99	27 June, 2003 to 26 June, 2010
		125,000	125,000	1.99	27 June, 2004 to 26 June, 2010
		12,500	12,500	1.55	20 April, 2002 to 19 April, 2006
		12,500	12,500	1.55	20 April, 2003 to 19 April, 2006
		12,500	12,500	1.55	20 April, 2004 to 19 April, 2006
		12,500	12,500	1.55	20 April, 2005 to 19 April, 2006
		6,250	6,250	1.59	8 May, 2003 to 7 May, 2007
		6,250	6,250	1.59	8 May, 2004 to 7 May, 2007
		6,250	6,250	1.59	8 May, 2005 to 7 May, 2007
		6,250	6,250	1.59	8 May, 2006 to 7 May, 2007
		6,250	6,250	0.98	18 October, 2003 to 17 October, 2007
		6,250	6,250	0.98	18 October, 2004 to 17 October, 2007
		6,250	6,250	0.98	18 October, 2005 to 17 October, 2007
		6,250	6,250	0.98	18 October, 2006 to 17 October, 2007
		6,250	6,250	1.14	3 June, 2004 to 2 June, 2008
		6,250	6,250	1.14	3 June, 2005 to 2 June, 2008
		6,250	6,250	1.14	3 June, 2006 to 2 June, 2008
		6,250	6,250	1.14	3 June, 2007 to 2 June, 2008
		6,250	6,250	1.29	19 November, 2004 to 18 November, 2008
		6,250	6,250	1.29	19 November, 2005 to 18 November, 2008
		6,250	6,250	1.29	19 November, 2006 to 18 November, 2008
		6,250	6,250	1.29	19 November, 2007 to 18 November, 2008
		1,150,000	1,150,000		

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
(f) Interest in ST Assembly Test Services Limited					
Tay Siew Choon	Beneficial owner	17,500	17,500	1.99	6 August, 2004 to 5 August, 2013
		17,500	17,500	1.99	6 August, 2005 to 5 August, 2013
		17,500	17,500	1.99	6 August, 2006 to 5 August, 2013
		17,500	17,500	1.99	6 August, 2007 to 5 August, 2013
		35,000	35,000	1.91	17 February, 2005 to 16 February, 2014
		105,000	105,000		
(g) Interest in Singapore Food Industries Limited					
Tay Siew Choon	Beneficial owner	50,000	50,000	0.55	24 August, 2004 to 23 August, 2005
		50,000	50,000		

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price *S$*	Exercisable period
(h) Interest in Singapore Computer Systems Limited					
Tay Siew Choon	Beneficial owner	20,000	20,000	2.20	19 October, 2001 to 18 October, 2005
		20,000	20,000	2.20	19 October, 2002 to 18 October, 2005
		20,000	20,000	2.20	19 October, 2003 to 18 October, 2005
		20,000	20,000	2.20	19 October, 2004 to 18 October, 2005
		25,000	25,000	2.08	15 March, 2002 to 14 March, 2006
		25,000	25,000	2.08	15 March, 2003 to 14 March, 2006
		25,000	25,000	2.08	15 March, 2004 to 14 March, 2006
		25,000	25,000	2.08	15 March, 2005 to 14 March, 2006
		18,750	18,750	1.55	8 March, 2003 to 7 March, 2007
		18,750	18,750	1.55	8 March, 2004 to 7 March, 2007
		18,750	18,750	1.55	8 March, 2005 to 7 March, 2007
		18,750	18,750	1.55	8 March, 2006 to 7 March, 2007
		18,750	18,750	0.86	22 February, 2004 to 21 February, 2008
		18,750	18,750	0.86	22 February, 2005 to 21 February, 2008
		18,750	18,750	0.86	22 February, 2006 to 21 February, 2008
		18,750	18,750	0.86	22 February, 2007 to 21 February, 2008
		18,750	18,750	0.84	30 April, 2005 to 29 April, 2009
		18,750	18,750	0.84	30 April, 2006 to 29 April, 2009
		18,750	18,750	0.84	30 April, 2007 to 29 April, 2009
		18,750	18,750	0.84	30 April, 2008 to 29 April, 2009
		405,000	405,000		

(3) Long positions in shares and underlying shares of other associated corporations of the Company *(continued)*

(ii) Share Options (continued)

Name of directors and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price	Exercisable period
(i) Interest in Green Dot Internet Services Pte Ltd				*S$*	
Tay Siew Choon	Beneficial owner	4,156	4,156	1.00	12 March, 2003 to 11 March, 2013
		4,157	4,157	1.00	12 March, 2004 to 11 March, 2013
		4,157	4,157	1.00	12 March, 2005 to 11 March, 2013
		4,157	4,157	1.00	12 March, 2006 to 11 March, 2013
		2,616	2,616	1.00	1 April, 2004 to 31 March, 2014
		2,617	2,617	1.00	1 April, 2005 to 31 March, 2014
		2,617	2,617	1.00	1 April, 2006 to 31 March, 2014
		2,616	2,616	1.00	1 April, 2007 to 31 March, 2014
		27,093	27,093		
(j) Interest in Global Crossing Limited				*US$*	
Tay Siew Choon	Beneficial owner	4,400	4,400	10.16	12 January, 2005 to 11 January, 2014
		3,300	3,300	10.16	12 January, 2006 to 11 January, 2014
		3,300	3,300	10.16	12 January, 2007 to 11 January, 2014
		11,000	11,000		

(iii) Conditional Awards under the Restricted Stock Plan

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital
(a) Award under Green Dot Capital Restricted Stock Plan			
Interest in Singapore Computer Systems Limited			
Tay Siew Choon	Beneficial owner	200,000	200,000

Save as disclosed in this circular, as at the Latest Practicable Date, none of Directors and chief executives of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors for Listed Companies to be notified to the Company and the Stock Exchange.

SERVICE CONTRACT

As at the Latest Practicable Date, no Director or directors of the Acquired Companies has any existing or proposed service contract with any member of the Enlarged Group which is not expiring or determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

Under the current arrangements, the estimated aggregate remuneration which the Directors and the directors of Excel, SPrint and CTT will receive for the year ending 31 December, 2004 amounts to approximately HK$5.2 million, approximately HK$3.0 million, approximately Baht 2.1 million (equivalent to approximately HK$0.4 million) and nil respectively.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest in the following long positions in the Shares and underlying Shares of equity derivatives which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who was directly and indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of ordinary shares	%
SNP Corporation	Beneficial owner	282,343,988	70.11
Green Dot Capital Pte Ltd	Held by controlled corporation *(Note)*	282,343,988	70.11
Singapore Technologies Pte Ltd. ("STPL")	Held by controlled corporation *(Note)*	282,343,988	70.11
Temasek Holdings (Pte) Ltd	Held by controlled corporation *(Note)*	282,343,988	70.11

Note: These shares were held through SNP Corporation, a company in which Green Dot Capital Pte Ltd, a wholly owned subsidiary of STPL, has a 55% shareholding. STPL is a wholly owned subsidiary of Temasek Holdings (Pte) Ltd.

SHARE OPTION SCHEMES

(a) 2003 Scheme

The Company adopted the 2003 Scheme for the purpose of providing incentives and rewards to eligible participants, including the executive Directors, who contribute to the success of the Group's operations.

Pursuant to the 2003 Scheme, the Board may, at their discretion, grant options to the eligible participant including any employee, officer, director or consultant of the Group. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted under its 2003 Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

On 9 October, 2003, the Company has granted options to certain employees of the Group to subscribe for an aggregate of 1,510,000 Shares (at a consideration of HK$1.00 payable by each grantee). As at the Latest Practicable Date, an aggregate of 30,000 share options granted to one of the grantees of the 2003 Scheme has lapsed and an aggregate of 1,480,000 share options granted to the employees of the Group pursuant to the 2003 Scheme remained outstanding. All of such 1,480,000 share options could be exercised at a price of HK$1.45 per Share and such options would all expire on 8 October, 2013. In addition, on 9 October, 2003, the Company has also granted options to Mr. Yeo Chee Tong, a Director, to subscribe for 450,000 Shares (at a consideration of HK$1.00 payable by him). Such options remained outstanding as at the Latest Practicable Date and details of such options are set out in the section headed "Disclosure of interests" in this Appendix. As at the Latest Practicable Date, the number of Shares in respect of which options remained outstanding under the 2003 Scheme was 1,930,000 Shares, representing approximately 0.48% of the issued share capital of the Company.

The options granted by the Company may be exercised in accordance with the terms of the 2003 Scheme as to:

(i) 25% of the options will be exercisable after the expiry of 12 months from the date of grant (the "First Exercise Date"); and

(ii) 25% of the options will be exercisable after the expiry of each successive 12 months period from the First Exercise Date.

(b) Share Award Schemes

The Company adopted a performance related incentive award scheme and a time-based incentive award scheme (together, the "Share Award Schemes") on 18 March, 2004 for the purpose of recognizing the performance and/or contribution by certain employees of the Group, including executive Directors, giving incentives to retain them and attracting suitable personnel for further development of the Group. Pursuant to the Share Award Schemes, awards of performance shares, which are released to the recipients free of payment, are granted conditional on performance targets set based on medium-term corporate objectives.

As at the Latest Practicable Date, no awards pursuant to the Share Award Schemes have been made.

Save as disclosed in this circular, no capital of any member of the Enlarged Group is under option, or agreed conditionally or unconditionally to be put under option.

AGENCY FEES AND COMMISSIONS PAID

No commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries within the two years immediately preceding the date of this circular.

No commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Acquired Companies or any of its subsidiaries within the two years immediately preceding the date of this circular.

ESTATE DUTY INDEMNITY

SNP Corporation has given an indemnity in favour of the Group in connection with estate duty which might be payable by any member of the Enlarged Group (including subsidiaries from time to time) by reason of any transfer of property to the Acquired Companies and their subsidiaries on or before the date of completion of the Acquisition.

LITIGATION

No member of the Enlarged Group is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Enlarged Group.

SPONSOR

Tai Fook has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the exercise of options which may be granted under the share option schemes of the Company.

PROMOTER

Save as disclosed in this circular, no amount or benefit has been paid or given to the promoters in connection with the Acquisition or related transactions described in this circular within the two years preceding the date of this circular.

EXPERTS' DISCLOSURE OF INTERESTS AND CONSENTS

(a) The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Tai Fook	A deemed licensed corporation under the SFO
Anglo Chinese	A deemed licensed corporation under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Sallmanns (Far East) Limited	Property valuer
GFE Law Office	PRC lawyers
Hills & Co.	PRC lawyers
Bangkok International Associates Limited	Thai lawyers

Each of Tai Fook, Anglo Chinese, Deloitte Touche Tohmatsu, Sallmanns (Far East) Limited, GFE Law Office, Hills & Co. and Bangkok International Associates Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report or references to its name, as the case may be, in the form and context in which it appears.

(b) As at the Latest Practicable Date, each of Tai Fook, Anglo Chinese, Deloitte Touche Tohmatsu, Sallmanns (Far East) Limited, GFE Law Office, Hills & Co. and Bangkok International Associates Limited does not have any shareholding or interests, directly or indirectly, in any member of the Group or the Acquired Companies or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or the Acquired Companies.

(c) Each of Tai Fook, Anglo Chinese, Deloitte Touche Tohmatsu, Sallmanns (Far East) Limited, GFE Law Office, Hills & Co. and Bangkok International Associates

Limited has, or has had, no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December, 2003, being the date to which the latest published audited consolidated accounts of the Group were made up.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by any member of the Enlarged Group within the two years immediately prior to the date of this circular and are or may be material in the context of the Enlarged Group as a whole.

(a) On 24 October, 2002, Leefung-Asco Printers Limited entered into a share transfer agreement with 上海紡印印刷包裝有限公司 (Shanghai Fang Yin Printing and Packing Co., Ltd.) pursuant to which Leefung-Asco Printers Limited agreed to dispose of its 26% equity interest in 上海紡印利豐印刷包裝有限公司 (Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd.) to 上海紡印印刷包裝有限公司 (Shanghai Fang Yin Printing and Packing Co., Ltd.) for an aggregate consideration for approximately RMB34 million;

(b) On 3 May, 2004, the Company entered into an agreement with SNP Corporation from the sale and purchase of the entire issued share capital of Excel for a total consideration of S$70,480,000;

(c) On 3 May, 2004, the Company entered into an agreement with SNP Corporation for the sale and purchase of 98.93% of the total voting share capital of CTT & Associate Limited and 94.93% of the total voting share capital of SPrint for a total consideration of S$17,520,000;

(d) On 14 August, 2004, SNP Corporation entered into a Deed of Indemnity in favour of the Company in relation to property related issues relating to SPrint;

(e) On 14 August, 2004, SNP Corporation entered into a Deed of Indemnity in favour of the Company in relation to property related issues relating to the Excel Group;

(f) On 14 August, 2004, the Company entered into a deed of variation with SNP Corporation in relation to the amendment of the non-competition undertakings in the agreements referred to in paragraphs (b) and (c) above; and

(g) On 14 August, 2004, SNP Corporation entered into a deed of indemnity in favour of the Group in relation to estate duty, taxation and the failure of the Acquired Companies and their subsidiaries in obtaining the relevant permits, licenses and certificates to carry on their respective businesses.

MATERIAL INTERESTS IN CONTRACTS AND ASSETS AND COMPETING BUSINESS

(a) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at such date which was significant in relation to the business of the Enlarged Group taken as a whole.

(b) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any asset acquired or disposed of by or leased to any member of the Enlarged Group, or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December, 2003, being the date to which the latest published audited accounts of the Group were made up.

(c) As at the Latest Practicable Date, no Director was interested in any business apart from the Enlarged Group's business, which competes or is likely to compete, either directly or indirectly, with the Enlarged Group's business.

GENERAL

(a) The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda on 3 June, 1991. The Company has registered with the Registrar of Companies in Hong Kong as an overseas company under Part XI of the Companies Ordinance on 24 October, 1991 and Mr. Yeo Chee Tong of Apartment D, 2nd Floor, Block 5, The Mount Austin, 8 Mount Austin Road, Hong Kong and Mr. Lo Kin Cheung of Flat F, 27th Floor, Block 11, South Horizons, Ap Lei Chau, Hong Kong have been appointed as persons in Hong Kong authorized to accept service of process and notices on its behalf.

(b) The secretary and qualified accountant of the Company is Mr. Lo Kin Cheung. Mr. Lo is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

(c) The head office of the Company is at Room 1001-3, 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.

(d) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

(e) All the existing issued shares of the Company is registered on the Company's branch register of members maintained by Tengis Limited in Hong Kong. The Company's principal register of members is maintained in Bermuda. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

(f) The share registrar of the Company in Hong Kong is Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(g) All necessary arrangements have been made to enable the shares to be admitted into CCASS.

(h) The estimated expenses in relation to the Acquisition is approximately HK$5.0 million.

(i) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 1001-3, 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) up to and including 30 August, 2004:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the three years ended 31 December, 2001, 2002 and 2003;

(c) the interim report of the Company for the six months ended 30 June, 2004;

(d) the letter from the Independent Board Committee as set out on page 54 of this circular;

(e) the letter from Anglo Chinese as set out on pages 57 to 71 of this circular;

(f) the accountants' reports on the Acquired Companies as set out in Appendix IV to this circular;

(g) the letter from Deloitte Touche Tohmatsu as set out in Appendix V to this circular;

(h) the letters and valuation certificates prepared by Sallmanns (Far East) Limited as set out in Appendix VI to this circular;

(i) the written consents referred to in the paragraph headed "Experts' Disclosure of Interests and Consents" in this Appendix;

(j) all material contracts, including the Acquisition Agreements, referred to in the paragraph headed "Material Contracts" in this Appendix; and

(k) the circular of the Company dated 2 March, 2004 in relation to connected transaction pursuant to share award schemes.

SNP LEEFUNG HOLDINGS LIMITED

利豐雅高印刷集團有限公司 *

(Incorporated in Bermuda with limited liability)

Stock code: 623

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Company will be held at Harbour Room, Level 56, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Admiralty, Hong Kong on 6 September, 2004, Monday at 10:30 a.m. for the following purposes:

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"**THAT** the sale and purchase agreements dated 3 May, 2004 (as supplemented by a deed of variation dated 14 August, 2004) (the "Excel and SPrint Agreements") entered into between the Company and SNP Corporation Ltd in relation to the sale and purchase of the entire issued share capital of SNP Excel United Company Limited and approximately the entire voting capital of SNP SPrint (Thailand) Co., Ltd., copies of which have been produced to the meeting and marked "A", "B" and "C" respectively by the Chairman for the purpose of identifications, be and is hereby approved, ratified and confirmed in all respects and that all the transactions contemplated thereunder be and are hereby approved and that any one director of the Company be and is hereby authorised to do or execute for and on behalf of the Company all such acts or such other documents which in his absolute opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Excel and SPrint Agreements and all the transactions contemplated therein."

To consider and, if thought fit, pass the following resolution as a Special Resolution:

"**THAT** the Bye-laws of the Company be amended as follows:

(a) by inserting the following new definition in Bye-law 1(A):

""associate" shall have the meaning attributed to it under the rules of the Designated Stock Exchange;";

(b) by inserting the following new Bye-law 40A after the existing Bye-law 40:

"40A All fully-paid shares are free from any restriction on the right of transfer (except when permitted by the Designated Stock Exchange) and are also free from all lien.";

* *For identification purpose only*

(c) by inserting the following new Bye-law 72A after the existing Bye-law 72:

"72A Where the Company has knowledge that any member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.";

(d) by deleting the existing Bye-law 84 and inserting the following new Bye-law 84(A) and (B):

"84. (A) Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its corporate representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. References in these Bye-Laws to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented at the meeting by such duly authorised corporate representative or by one or more proxies. Nothing contained in this Bye-law shall prevent a corporation which is a member of the Company from appointing one or more proxies to represent it pursuant to Bye-law 77.

(B) If a Clearing House (or its nominee) is a member of the Company, it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one proxy or, corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is so appointed. A person so appointed under the provisions of this Bye-law shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise as if it were an individual member. The number of persons a Clearing House (or its nominee) may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by a Clearing House (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.";

(e) by deleting the existing Bye-law 87 and substituting therefor the following new Bye-law 87:

"No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his consent to be elected shall have been lodged at the head office of the Company. The period for lodgement of such notices shall commence on (and include) the day after the despatch of the notice of meeting appointed for such election and end on (and exclude) the date that is seven (7) days before the date appointed for the meeting.";

(f) by deleting the existing Bye-law 109(E) and substituting therefor the following new Bye-law 109(E):

"(E) (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate has a material interest, but this prohibition shall not apply to any of the following matters namely:

(i) the giving of any security or indemnity either:

(a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.";

(g) by amending Bye-law 111 as follows:

(i) deleting the word "all" appearing in the first line of Bye-law 111 and substituting therefor with the words "not less than a majority of";

(ii) adding the words "provided that a copy of such resolution in writing shall be circulated for due consideration to all of the Directors or their alternates" after the words "duly convened and held" in the sixth line of Bye-law 111; and

(iii) inserting the words "and all the Directors shall be entitled to be provided with a copy of such signed resolution" at the end of the second sentence in Bye-law 111 before the full stop "."; and

(h) by inserting the following words after the words "in advance and the Directors" in the seventh line of Bye-law 26:

"but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up".

By Order of the Board
Lo Kin Cheung
Company Secretary

Hong Kong, 14 August, 2004

At the date of this notice, the board of directors of the Company comprises the following members:

Executive Directors:
Yeo Chee Tong
Yang Sze Chen, Peter

Non-executive Directors:
Tay Siew Choon
Wong Kwong Shing, Frank

Independent non-executive Directors:
Cheng Wai Wing, Edmund
John Robert Walter
Kyle Arnold Shaw, Jr.
Lai Ming, Joseph

Principal place of business in Hong Kong:
Room 1001-3, 10th Floor
Wing On House
71 Des Voeux Road Central
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the principal place of business of the Company at Room 1001-3, 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.