

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this prospectus or as to the actions to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix IV to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of each of the Rights Issue Documents (as defined herein) has been or will be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

If you have sold or transferred all your shares in SNP Leefung Holdings Limited (the "Company"), you should at once hand this prospectus with the accompanying forms to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the Shares (as defined herein) and, the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through the Central Clearing and Settlement System ("CCASS") and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of Hong Kong Securities Clearing Company Limited ("HKSCC"), the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



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)

RIGHTS ISSUE OF 100,681,729 RIGHTS SHARES AT HK\$1.20 EACH ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FOUR EXISTING SHARES HELD ON THE RECORD DATE

Financial adviser to the Company



TAI FOOK CAPITAL LIMITED

Underwriter



TAI FOOK SECURITIES COMPANY LIMITED

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 8 July 2005. The procedure for acceptance or transfer is set out on pages 18 and 19 of this prospectus.

It should be noted that the Underwriter (as defined herein) may terminate the Underwriting Agreement (as defined herein) by notice in writing to the Company if at any time prior to 4:00 p.m. on the Settlement Date (as defined herein) there occurs:

- an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, exchange control or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- any material adverse change in the financial or trading position of the Group (as defined herein) as a whole; or
- there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the shares of the Company generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
- the imposition of economic or other sanctions, in whatever form directly or indirectly, on Hong Kong, the PRC (as defined herein) or other jurisdiction relevant to the Group or any member of the Group,

and in the absolute opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue (as defined herein) or make it inadvisable or inexpedient to proceed with the Rights Issue. In the event that the Underwriting Agreement shall have been terminated, the Rights Issue will not proceed.

For further details, please refer to the section headed "Termination of the Underwriting Agreement" as set out on pages 7 and 8 of this prospectus.

It should also be noted that the Shares have been dealt with on an ex-rights basis from Tuesday, 14 June 2005 and that the Rights Shares are expected to be dealt with in their nil-paid form from Monday, 27 June 2005 to Tuesday, 5 July 2005 (both dates inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company from 26 May 2005 up to the date on which all such conditions are fulfilled (or, if appropriate, waived) and any person dealing in the nil-paid Rights Shares from Monday, 27 June 2005 to Tuesday, 5 July 2005 (being the first and last day of dealing in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

* For identification purposes only

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DEFINITIONS

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

“Acceptance Date”	4:00 p.m. on Friday, 8 July 2005 (or such other time or date as the Underwriter may agree in writing with the Company as the date for acceptance of, and payment for, the Rights Shares)
“Announcement”	the announcement dated 25 May 2005 issued by the Company in relation to, among other things, the Rights Issue
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Capital Reorganisation”	the increase in the authorized share capital of the Company from HK\$50,000,000 to HK\$100,000,000 comprising 1,000,000,000 Shares of HK\$0.10 each
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular issued by the Company dated 1 June 2005 in relation to the Capital Reorganisation
“Companies Act”	Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“Company”	SNP Leefung Holdings Limited (stock code: 623), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CTT”	CTT & Associates Limited, a company incorporated under the laws of the Kingdom of Thailand. As at the Latest Practicable Date, the Company was interested in approximately 98.93% of the total voting share capital of CTT, which was interested in approximately 5.07% of the total voting share capital of Excel (Thai)
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares
“Enlarged Group”	the Group and Yau Yue Group
“Excel (HK)”	SNP Excel (Hong Kong) Company Limited (formerly known as SNP Excel United Company Limited), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company as at the Latest Practicable Date
“Excel (Thai)”	SNP Excel (Thailand) Co., Ltd. (formerly known as SNP SPrint (Thailand) Co., Ltd.), a company incorporated under the laws of the Kingdom of Thailand. As at the Latest Practicable Date, the Company, through itself and CTT, had an effective interest of approximately 99.95% of the voting share capital of Excel (Thai)
“Excluded Shareholder”	Shareholder whose name appears on the register of members of the Company as at the close of business on the Record Date and whose address as shown on such register is outside Hong Kong where the Directors, based on legal advice provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“Exercisable Share Options”	outstanding Share Options that are exercisable on or before the Record Date in accordance with the terms of the Share Option Scheme
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	25 May 2005, being the last trading day before the publication of the Announcement
“Latest Practicable Date”	16 June 2005, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PAL(s)”	the provisional allotment letter(s)
“Posting Date”	Thursday, 23 June 2005 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Right Issue Documents
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholder
“Record Date”	Wednesday, 22 June 2005, the record date for determining entitlements to the Rights Issue
“Rights Issue”	the issue of 100,681,729 Rights Shares at the Subscription Price on the basis of one Rights Share for every four existing Shares held on the Record Date
“Rights Issue Documents”	the Prospectus, the PALs and the EAFs

DEFINITIONS

“Rights Share(s)”	new Share(s) to be allotted and issued in respect of the Rights Issue
“Settlement Date”	Thursday, 14 July 2005, the date being the fourth Business Day following Friday, 8 July 2005, being the latest time for acceptance of, and payment for, the Rights Shares (or such other time or date as the Underwriter and the Company may agree in writing)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 28 August 2003
“Share Options”	options granted by the Company under the Share Option Scheme
“Shareholder(s)”	holder(s) of the Shares
“SNP”	SNP Corporation Ltd, a company incorporated in Singapore with limited liability, the shares of which are listed on The Singapore Exchange Securities Trading Ltd
“SNP Group”	SNP and its subsidiaries
“SNP’s Entitlement”	70,585,997 Rights Shares which will be provisionally allotted to SNP pursuant to the Rights Issue
“Special General Meeting”	special general meeting of the Company held at 10:00 a.m. on Wednesday, 22 June 2005 approving the Capital Reorganisation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$1.20 per Rights Share

DEFINITIONS

“Underwriter”	Tai Fook Securities Company Limited, a licensed corporation to carry on regulated activities 1, 3 and 4 for the purpose of the SFO
“Underwriting Agreement”	the underwriting agreement dated 25 May 2005 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	all the Rights Shares, other than the SNP’s Entitlement, being 30,095,732 Rights Shares
“Yau Yue”	Yau Yue Paper Products Limited, a company incorporated in Hong Kong with limited liability and is indirectly owned as to 60% by the Company
“Yau Yue Group”	Yau Yue and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Basis of the Rights Issue:	One Rights Share for every four existing Shares held on the Record Date
Number of existing Shares in issue:	402,726,918 Shares as at the Record Date
Number of Rights Shares to be allotted and issued:	100,681,729 Rights Shares
Subscription Price:	HK\$1.20 per Rights Share
SNP's Entitlement:	70,585,997 Rights Shares
Number of Underwritten Shares:	30,095,732 Underwritten Shares
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Share for every four existing Shares held by the Qualifying Shareholders on the Record Date
Right of excess application:	The Qualifying Shareholders will have the right to apply for excess Rights Shares
Amount to be raised by the Rights Issue:	Approximately HK\$120.8 million before expenses
Underwriter:	Tai Fook Securities Company Limited Tai Fook Securities Company Limited and its holding company, Tai Fook Securities Group Limited, which, to the best of the Directors' knowledge and information and having made all reasonable enquiries, are third parties independent of the Group and connected persons (as defined in the Listing Rules) of the Group

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, exchange control or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (d) any material adverse change in the financial or trading position of the Group as a whole; or
- (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the shares of the Company generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (f) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
- (g) the imposition of economic or other sanctions, in whatever form directly or indirectly, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group,

and in the absolute opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

In the event that the Underwriting Agreement shall have been terminated, the Rights Issue will not proceed.

It should also be noted that the Shares have been dealt with on an ex-rights basis from Tuesday, 14 June 2005 and that the Rights Shares are expected to be dealt with in their nil-paid form from Monday, 27 June 2005 to Tuesday, 5 July 2005 (both dates

TERMINATION OF THE UNDERWRITING AGREEMENT

inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company from 26 May 2005 up to the date on which all such conditions are fulfilled (or, if appropriate, waived) and any person dealing in the nil-paid Rights Shares from Monday, 27 June 2005 to Tuesday, 5 July 2005 (being the first and last day of dealing in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

It is expected that the conditions referred to in the section headed “Conditions of the Rights Issue” in this prospectus are to be fulfilled by 4:00 p.m. Hong Kong time on Thursday, 14 July 2005. If the conditions referred to in that section are not fulfilled or waived in whole or in part by the Underwriter on or before 4:00 p.m. Hong Kong time on Thursday, 14 July 2005 or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

EXPECTED TIMETABLE

Last day of dealings in the Shares on a cum-rights basis	Monday, 13 June 2005
Commencement of dealings in the Shares on an ex-rights basis	Tuesday, 14 June 2005
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:00 p.m. on Wednesday, 15 June 2005
Register of members closes	Thursday, 16 June 2005 to Wednesday, 22 June 2005 (both dates inclusive)
Special General Meeting	Wednesday, 22 June 2005
Record Date	Wednesday, 22 June 2005
Register of members re-opens	Thursday, 23 June 2005
Despatch of the Rights Issue Documents	Thursday, 23 June 2005
First day of dealings in nil-paid Rights Shares	Monday, 27 June 2005
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 29 June 2005
Last day of dealings in nil-paid Rights Shares	Tuesday, 5 July 2005
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on Friday, 8 July 2005
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Thursday, 14 July 2005
Announcement of results of the Rights Issue in newspapers	Friday, 15 July 2005
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Monday, 18 July 2005

EXPECTED TIMETABLE

Certificates for the Rights Shares expected

to be despatched on or before Monday, 18 July 2005

Dealings in fully-paid Rights Shares commence on Wednesday, 20 July 2005

Note: All times in this prospectus refer to Hong Kong time.

Dates or deadlines specified in this prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately.

LETTER FROM THE BOARD



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:

Mr. Peter, Yang Sze Chen (*Chairman*)

Mr. Yeo Chee Tong (*Chief Executive Officer*)

Non-executive Director:

Mr. Tay Siew Choon

Independent Non-executive Directors:

Mr. Edmund, Cheng Wai Wing

Mr. John Robert Walter

Mr. Joseph, Lai Ming

Ms. Alice, Kan Lai Kuen

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and principal place
of business in Hong Kong:*

10th Floor

Wing On House

71 Des Voeux Road Central

Central

Hong Kong

23 June 2005

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE OF 100,681,729 RIGHTS SHARES AT HK\$1.20 EACH
ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FOUR EXISTING SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

The Directors announced on 25 May 2005 that the Company proposed to raise not less than approximately HK\$120.8 million before expenses by way of a rights issue of not less than 100,681,729 Rights Shares and not more than 100,767,979 Rights Shares at a price of HK\$1.20 per Rights Share on the basis of one Rights Share for every four existing Shares held on the Record Date. Pursuant to the Rights Issue, the Qualifying Shareholders will be provisionally allotted one Rights Share in nil-paid form for every four existing Shares held on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company.

* For identification purposes only

LETTER FROM THE BOARD

In order that a sufficient number of unissued Shares are available for the Rights Issue, the Directors also proposed to increase the authorized share capital of the Company from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 Shares. On 1 June 2005, the Circular containing details of the Capital Reorganisation was despatched to the Shareholders. The Capital Reorganisation has been approved by the Shareholders at the Special General Meeting.

The purpose of this prospectus is to provide you with further details regarding, among other things, the Rights Issue including information on dealings in and transfers and acceptances of the Rights Shares, and certain financial and other information in respect of the Group.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue: One Rights Share for every four existing Shares held on the Record Date

Number of existing Shares in issue: 402,726,918 Shares as at the Record Date

Number of Rights Shares to be issued: 100,681,729 Rights Shares

Underwriter: Tai Fook Securities Company Limited

Tai Fook Securities Company Limited and its holding company, Tai Fook Securities Group Limited, which, to the best of the Directors' knowledge and information and having made all reasonable enquiries, are third parties independent of the Group and connected persons (as defined in the Listing Rules) of the Group

As at the date of the Announcement, there were outstanding Share Options entitling holders thereof to subscribe for 3,285,000 Shares (of which (i) Mr. Yeo Chee Tong, the chief executive officer of the Company and an executive Director, is entitled to subscribe for 900,000 Shares; and (ii) the employees of the Group, being public Shareholders, in aggregate, are entitled to subscribe for 2,385,000 Shares). Pursuant to the Share Option Scheme, (i) 25% of the Share Options will be exercisable after the expiry of 12 months from the date of grant (the "First Exercise Date"); (ii) 25% of the Share Options will be exercisable after the expiry of each successive 12 months period from the First Exercise Date; and (iii) the options will expire after ten years from the date of grant. As at the date of the Announcement, there were outstanding Exercisable Share Options entitling holders thereof to subscribe for 345,000 Shares (of which (i) Mr. Yeo Chee Tong is entitled to subscribe for 112,500 Shares; and (ii) the employees of the Group are entitled to subscribe for 232,500 Shares).

LETTER FROM THE BOARD

Since no outstanding Exercisable Share Options were exercised before the Record Date, 100,681,729 nil-paid Rights Shares (based on a total number of 402,726,918 issued Shares as at the Record Date) would be provisionally allotted under the Rights Issue, representing approximately 25.00% of the existing issued share capital of the Company and approximately 20.00% of the issued share capital of the Company as enlarged by the issue of 100,681,729 Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date.

The Company will send the Rights Issue Documents to the Qualifying Shareholders.

Rights of Shareholders with registered addresses outside Hong Kong

The Rights Issue Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. Based on the register of members of the Company as at the Record Date, there were 3 Shareholders with registered addresses outside Hong Kong, namely in the United States of America, Spain and Singapore. As such, the Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, sought legal advice regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange. Based on the legal advice provided by the relevant legal counsels, the Directors are of the view that the Rights Issue can be offered to the Shareholders in Spain and Singapore without the need to comply with respective Spanish and Singapore securities laws. Therefore, the provisional allotment of the Rights Shares will be made and a copy of the Rights Issue Documents will be sent to the Shareholders in Spain and Singapore.

However, based on the legal advice provided by the relevant legal counsels, the Directors are of the view that it is not expedient to offer the Rights Shares to the Shareholder whose registered address is in the United States of America due to substantial procedures and costs involved in the registration of the Rights Issue Documents and compliance with the regulatory requirements in the United States of America. Accordingly, such Shareholder is the Excluded Shareholder and the Rights Issue is not available to him. The Company will send the Prospectus to the Excluded Shareholder for his information only, and will not send the PAL and the EAF to the Excluded Shareholder.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence. If a premium (net of expenses) can be obtained, the net proceeds of such sale, less expenses, will be paid to the Excluded Shareholder in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder and which are not sold, and Rights Shares provisionally allotted but not accepted, will be available for excess applications by the Qualifying Shareholders.

LETTER FROM THE BOARD

It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of the Rights Issue Documents outside Hong Kong and wishing to take up the Rights Shares under the Rights Issue to satisfy himself as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK\$1.20 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 14.29% to the closing price of HK\$1.40 per Share as quoted on the Stock Exchange on 25 May 2005, being the last trading day of the Shares on the Stock Exchange prior to the publishing of the Announcement;
- (ii) a discount of approximately 15.49% to the average closing price of HK\$1.42 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including 25 May 2005, being the last trading day of the Shares on the Stock Exchange prior to the publishing of the Announcement;
- (iii) a discount of approximately 15.49% to the average closing price of HK\$1.42 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 25 May 2005, being the last trading day of the Shares on the Stock Exchange prior to the publishing of the Announcement;
- (iv) a discount of approximately 22.58% to the average closing price of HK\$1.55 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 25 May 2005, being the last trading day of the Shares on the Stock Exchange prior to the publishing of the Announcement;
- (v) a discount of approximately 11.76% to the theoretical ex-right price of HK\$1.36 based on the closing price of HK\$1.40 per Share as quoted on the Stock Exchange on 25 May 2005, being the last trading day of the Shares on the Stock Exchange prior to the publishing of the Announcement; and

LETTER FROM THE BOARD

- (vi) a discount of approximately 35.83% to the Group's audited consolidated net asset value per Share of approximately HK\$1.87 as at 31 December 2004.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors consider that the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the best interests of the Group and the Shareholders as a whole.

Basis of provisional allotments

One Rights Share (in nil-paid form) for every four existing Shares held by Qualifying Shareholders as at the close of business on the Record Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares

Subject to the fulfillment or the waiver in whole or in part by the Underwriter of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted by Monday, 18 July 2005 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares, at their own risk.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis as far as practicable, and will give preference to topping-up odd lots to whole board lots.

LETTER FROM THE BOARD

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Save for the Stock Exchange, no equity or debt securities of the Company is listed or dealt in any other stock exchange on which listing or permission to deal is being or is proposed to be sought, and that there are no dealing and settlement arrangements in more than one exchange.

Subject to the granting of approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealing in the Rights Shares (in both nil-paid and fully-paid forms) on the Hong Kong branch register will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Undertaking of SNP

As at the date of the Announcement, SNP is directly interested in 282,343,988 Shares, representing approximately 70.11% of the issued share capital of the Company. SNP has irrevocably undertaken to the Company that, subject to the Rights Issue not being terminated, (i) it will subscribe and lodge acceptance for the Rights Shares which will constitute the provisional allotment of Rights Shares in respect of the Shares held by it pursuant to the terms of the Rights Issue; and (ii) it will not dispose of the Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following:

- (a) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of the Rights Issue Documents in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and the delivery and filing with the Registrar of

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Companies in Bermuda in accordance with the requirements of the Companies Act of the Rights Issue Documents and otherwise complying with the requirements of the Companies Ordinance, the Companies Act and the Listing Rules;

- (b) the posting on the Posting Date of copies of the Rights Issue Documents to the Qualifying Holders;
- (c) the provisional allotment of the Rights Shares to the Qualifying Shareholders by posting the Rights Issue Documents to such holders no later than the Posting Date as well as the provisional allotment of the Rights Shares, which would be provisionally allotted to the Excluded Shareholders had they been Qualifying Shareholders, to a person nominated by the Company in nil-paid form by no later than the close of business on the Posting Date;
- (d) the Listing Committee of the Stock Exchange granting approval for listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;
- (e) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (f) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof;
- (g) if required, the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares;
- (h) the Capital Reorganisation becoming effective; and
- (i) SNP having executed and honoured its obligations to take up its proportion of Rights Shares pursuant to its undertaking (see sub-section headed “Undertaking of SNP” above).

In the event that the above conditions have not been satisfied and/or waived (other than conditions (d), (f) and (h) which cannot be waived) in whole or in part by the Underwriter on or before the Posting Date or in the event that the conditions (d), (e), (f) and (i) have not been

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satisfied on or before 4:00 p.m. on the Settlement Date (or in each case, such later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company.

As at the Latest Practicable Date, condition (g) had been satisfied. The Capital Reorganisation has been approved by the Shareholders at the Special General Meeting.

PROCEDURE FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A PAL which entitles the Qualifying Shareholders to take up the number of the Rights Shares shown therein is enclosed with this prospectus. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrars in Hong Kong, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by no later than 4:00 p.m. on or before Friday, 8 July 2005. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a bank in Hong Kong and made payable to "SNP LEEFUNG HOLDINGS LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY"

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the branch share registrars of the Company in Hong Kong, Tengis Limited, by no later than 4:00 p.m. on Friday, 8 July 2005, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The PAL contains full information regarding the procedures to be followed. If the Qualifying Shareholders wish to accept only part of the provisional allotment or if the Qualifying Shareholders wish to transfer all or part of their provisional allotment to more than one person, the PAL must be surrendered by no later than 4:00 p.m. on Wednesday, 29 June 2005 to the Company's branch share registrars in Hong Kong, Tengis Limited, which will cancel the original PAL and issue a new PAL in the denominations required.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date and/or if any of the conditions are not

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fulfilled or waived, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed "ACCOUNT PAYEE ONLY" despatched by ordinary post to their registered address and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the transfer form at the risk of such Qualifying Shareholders or such other persons on or before Monday, 18 July 2005.

APPLICATION FOR EXCESS RIGHTS SHARES

Any unsold Rights Shares created by adding together the fractions of Rights Shares and any Rights Shares allotted provisionally but not accepted will be available for application through the EAF by the Qualifying Shareholders.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their entitlements under the PAL, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares with Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 8 July 2005. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on account with, or cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "SNP LEEFUNG HOLDINGS LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". Tengis Limited will notify you of any allotment of excess Rights Shares made to you, the allotment of which will be allocated on a fair and reasonable basis to be decided at the sole discretion of the Directors by reference to the number of excess Rights Shares applied for by each Qualifying Shareholder, but the Directors will give preference to topping-up odd lots to whole board lots.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any EAF in respect of which the accompanying cheque or cashier's order is dishonored on first presentation is liable to be rejected and cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement at any time prior to 4:00 p.m. on the Settlement Date, which is expected to be Thursday, 14 July 2005, and/or if the conditions of the Rights Issue (as set out in the sub-section headed "Conditions of the Rights Issue" in this letter) are not fulfilled or waived by 4:00 p.m. on Thursday, 14 July 2005, the monies received in respect of applications for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques crossed "ACCOUNT PAYEE ONLY" despatched by ordinary post at the risk of such Qualifying Shareholders on or before Monday, 18 July 2005.

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UNDERWRITING AGREEMENT

Date:	25 May 2005
Underwriter:	Tai Fook Securities Company Limited
	Tai Fook Securities Company Limited and its holding company, Tai Fook Securities Group Limited, which, to the best of the Directors' knowledge and information and having made all reasonable enquiries, are third parties independent of the Group and connected persons (as defined in the Listing Rules) of the Group
Number of existing Shares in issue:	402,726,918 Shares as at the date of the Announcement
Number of the Rights Shares to be issued:	not less than 100,681,729 Rights Shares and not more than 100,767,979 Rights Shares (<i>Note</i>)
SNP's Entitlement:	70,585,997 Rights Shares
Number of Underwritten Shares:	not less than 30,095,732 Underwritten Shares and not more than 30,181,982 Underwritten Shares (<i>Note</i>)
Commission:	2.0% of the Subscription Price of the Underwritten Shares

Note: Since no outstanding Exercisable Share Options were exercised before the Record Date, the number of Rights Shares to be allotted and issued pursuant to the Rights Issue will be 100,681,729 Rights Shares and the number of Underwritten Shares will be 30,095,732 Underwritten Shares.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, exchange control or currency (including a change in the system under which the value of the

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Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (d) any material adverse change in the financial or trading position of the Group as a whole; or
- (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the shares of the Company generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (f) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
- (g) the imposition of economic or other sanctions, in whatever form directly or indirectly, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group,

and in the absolute opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

Up to the Record Date, none of the outstanding Exercisable Share Options was exercised. Accordingly, the maximum number of Underwritten Shares underwritten by the Underwriter is 30,095,732 Underwritten Shares.

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CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue on the assumption as set out in Note 3		Immediately after completion of the Rights Issue on the assumption as set out in Note 4	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
SNP	282,343,988	70.11	352,929,985	70.11	352,929,985	70.11
Mr. Peter, Yang Sze Chen (<i>Note 1</i>)	17,414,867	4.32	21,768,583	4.32	17,414,867	3.46
The Underwriter (<i>Note 2</i>)	–	–	–	–	30,095,732	5.98
Public Shareholders	<u>102,968,063</u>	<u>25.57</u>	<u>128,710,079</u>	<u>25.57</u>	<u>102,968,063</u>	<u>20.45</u>
Total	<u>402,726,918</u>	<u>100.00</u>	<u>503,408,647</u>	<u>100.00</u>	<u>503,408,647</u>	<u>100.00</u>

Notes:

- As at the Latest Practicable Date, Mr. Peter, Yang Sze Chen, the chairman of the Company and an executive Director, was directly interested in 900,000 Shares and indirectly interested in 16,514,867 Shares through Team Long Development Limited, a company wholly owned by Mr. Peter, Yang Sze Chen.
- Being the underwriter of the Underwritten Shares pursuant to the Underwriting Agreement.
- Assuming all Shareholders take up their respective provisional allotments of the Rights Shares in full.
- Assuming (i) none of the Shareholders (save for SNP which takes up the Rights Shares provisionally allotted to it) takes up any provisional allotments of the Rights Shares; and (ii) the provisional allotments of the Rights Shares of all Shareholders (save for SNP) are taken up by the Underwriter pursuant to the Underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Existing Shares have been dealt with on an ex-rights basis from Tuesday, 14 June 2005. The Rights Shares are expected to be dealt with in their nil-paid form from Monday, 27 June 2005 to Tuesday, 5 July 2005 (both dates inclusive). If prior to 4:00 p.m. on Thursday, 14 July 2005 (or such later date as the Underwriter may agree with the Company), the Underwriter terminates the Underwriting Agreement (see sub-section headed “Termination of the Underwriting Agreement” above) or the conditions of the Rights Issue (see sub-section headed “Conditions of the Rights Issue” above) cannot be fulfilled (or, if appropriate, waived), the Rights Issue will not proceed.

LETTER FROM THE BOARD

Any dealings in the Shares from 26 May 2005 up to the date on which all the conditions of the Rights Issue are fulfilled (or, if appropriate, waived), and any dealings in the Rights Shares in their nil-paid form between Monday, 27 June 2005 to Tuesday, 5 July 2005, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form during this period, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company, through its subsidiaries, is principally engaged in the printing of books, magazines, packaging products and pop-up and touch-and-feel books.

The Group had not raised any funds by issue of equity securities of the Company in the 12 months preceding the date of the Announcement.

The Rights Issue enables the Company to raise funds for the Group's general working capital and repayment of bank loans while the Qualifying Shareholders are given the opportunity to maintain their respective pro rata shareholding interests in the Company by participating in the Rights Issue. The Directors also consider that it is in the best interests of the Group and the Shareholders to enlarge the capital base of the Company and increase the number of Shares held by the public Shareholders through the Rights Issue.

The estimated net proceeds of the Rights Issue is approximately HK\$118.8 million, which is intended to be used in the following manner:

1. as to approximately HK\$59.4 million for the Group's general working capital; and
2. as to approximately HK\$59.4 million for repayment of existing bank loans.

ADJUSTMENT TO THE OPTIONS

Under the terms of the Share Option Scheme, adjustments to the exercise price or number of the options granted is required upon the completion of the Rights Issue. Such adjustment(s) will be set out in the Company's announcement of results of acceptance of the Rights Issue.

THE CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorized share capital of the Company is HK\$50,000,000, divided into 500,000,000 Shares, of which 402,726,918 Shares are issued and 97,273,082 Shares remain unissued and available for further allotment and issue by the Company.

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In order that a sufficient number of unissued Shares are available for the Rights Issue, the Directors propose to increase the authorised share capital of the Company from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 Shares. An ordinary resolution to this effect has been approved by the Shareholders at the Special General Meeting.

Further details of the Capital Reorganisation were set out in the Circular.

TAXATION

The Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the Rights Shares. It is emphasized that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility of any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding, disposal of, or dealing in the Rights Shares (in their nil-paid and/or fully-paid forms).

OTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this prospectus.

Yours faithfully,
for and on behalf of the Board
SNP Leefung Holdings Limited
Yeo Chee Tong
Executive Director and Chief Executive Officer

1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

- (a) Set out below is the auditors' report extracted from the annual report of the Company for the financial year ended 31 December 2004. References to page numbers are made to page numbers of the annual report of the Company for the financial year ended 31 December 2004.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

**TO THE MEMBERS OF
SNP LEEFUNG HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 53 to 103 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 January 2005

- (b) Set out below is the audited financial statements of the Group for the financial year ended 31 December 2004 together with the comparative figures for the financial year ended 31 December 2003 which were extracted from the annual report of the Company for the financial year ended 31 December 2004.

Consolidated Income Statement

for the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	3	974,147	734,586
Cost of sales		<u>(748,024)</u>	<u>(573,076)</u>
Gross profit		226,123	161,510
Other operating income		8,439	4,235
Selling and distribution costs		(90,761)	(46,886)
Administrative expenses		(90,869)	(72,217)
Amortisation of goodwill arising from the acquisition of subsidiaries		(4,647)	–
Surplus on revaluation of investment properties		7,525	960
Gain (loss) on disposal of property, plant and equipment		1,308	(268)
Loss on disposal of investment properties		–	(951)
Impairment loss recognised in respect of plant and machinery	5	<u>–</u>	<u>(13,370)</u>
Profit from operations	6	57,118	33,013
Finance costs	8	(4,111)	(3,459)
Share of results of associates		5,240	4,849
Amortisation of goodwill arising from the acquisition of an associate		<u>(403)</u>	<u>(403)</u>
Profit before tax		57,844	34,000
Income tax expenses	9	<u>(7,079)</u>	<u>(11,220)</u>
Profit after tax		50,765	22,780
Minority interests		<u>(283)</u>	<u>(283)</u>
Net profit attributable to shareholders		<u><u>50,482</u></u>	<u><u>22,497</u></u>
Dividends	10		
Interim		8,055	8,055
Proposed final		<u>12,082</u>	<u>12,082</u>
		<u><u>20,137</u></u>	<u><u>20,137</u></u>
Earnings per share	11		
Basic		<u><u>HK12.54 cents</u></u>	<u><u>HK5.59 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Consolidated Balance Sheet*at 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>12</i>	–	10,420
Property, plant and equipment	<i>13</i>	679,490	530,152
Goodwill	<i>14</i>	134,602	–
Interests in associates	<i>16</i>	82,877	81,386
		<u>896,969</u>	<u>621,958</u>
Current assets			
Inventories	<i>17</i>	207,373	111,538
Trade receivables	<i>18</i>	417,282	244,231
Prepayments, deposits and other receivables		61,338	35,910
Other investments	<i>19</i>	622	–
Tax recoverable		8,313	–
Bank balances and cash		151,812	80,760
		<u>846,740</u>	<u>472,439</u>
Current liabilities			
Trade and bills payables	<i>20</i>	147,176	106,130
Other payables and accruals		129,542	50,863
Tax liabilities		15,410	8,262
Amount due to SNP Group	<i>34</i>	1,971	1,545
Amounts due to associates	<i>34</i>	13,862	17,861
Obligations under finance leases			
– due within one year	<i>21</i>	1,333	–
Bank borrowings			
– due within one year	<i>22</i>	158,881	47,000
		<u>468,175</u>	<u>231,661</u>
Net current assets		<u>378,565</u>	<u>240,778</u>
Total assets less current liabilities		<u>1,275,534</u>	<u>862,736</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank borrowings			
– due after one year	22	500,000	125,000
Obligations under finance leases			
– due after one year	21	1,290	–
Deferred tax liabilities	26	16,721	13,605
		<u>518,011</u>	<u>138,605</u>
Minority interests		<u>2,655</u>	<u>2,410</u>
		<u>754,868</u>	<u>721,721</u>
Capital and reserves			
Share capital	23	40,273	40,273
Reserves		<u>714,595</u>	<u>681,448</u>
		<u>754,868</u>	<u>721,721</u>

Balance Sheet*at 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	<i>15</i>	<u>810,619</u>	<u>829,196</u>
Current assets			
Prepayments, deposits and other receivables		492	565
Bank balances and cash		<u>55</u>	<u>60</u>
		<u>547</u>	<u>625</u>
Current liabilities			
Other payables and accruals		1,072	529
Amount due to SNP Group	<i>34</i>	1,697	441
Tax liabilities		<u>35</u>	<u>35</u>
		<u>2,804</u>	<u>1,005</u>
Net current liabilities		<u>(2,257)</u>	<u>(380)</u>
Total assets less current liabilities		808,362	828,816
Non-current liability			
Amounts due to subsidiaries	<i>27</i>	<u>155,380</u>	<u>154,442</u>
		<u>652,982</u>	<u>674,374</u>
Capital and reserves			
Share capital	<i>23</i>	40,273	40,273
Reserves	<i>25</i>	<u>612,709</u>	<u>634,101</u>
		<u>652,982</u>	<u>674,374</u>

Consolidated Statement of Changes in Equity*for the year ended 31 December 2004*

	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	HK\$'000	HK\$'000	HK\$'000
At 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 and 1 January 2004	40,273	326,493	11,686	2,515	(4,636)	5,069	12,082	328,239	721,721
Exchange differences on translation of overseas operations	-	-	-	-	2,802	-	-	-	2,802
Net profit for the year	-	-	-	-	-	-	-	50,482	50,482
Transfer of retained profits	-	-	-	-	-	10,442	-	(10,442)	-
Final 2003 dividend paid	-	-	-	-	-	-	(12,082)	-	(12,082)
Interim 2004 dividend paid	-	-	-	-	-	-	-	(8,055)	(8,055)
Proposed final 2004 dividend	-	-	-	-	-	-	12,082	(12,082)	-
At 31 December 2004	<u>40,273</u>	<u>326,493</u>	<u>11,686</u>	<u>2,515</u>	<u>(1,834)</u>	<u>15,511</u>	<u>12,082</u>	<u>348,142</u>	<u>754,868</u>
Attributable to:									
The Company and subsidiaries	40,273	326,493	11,686	2,515	(1,834)	10,442	12,082	346,333	747,990
Associates	-	-	-	-	-	5,069	-	1,809	6,878
At 31 December 2004	<u>40,273</u>	<u>326,493</u>	<u>11,686</u>	<u>2,515</u>	<u>(1,834)</u>	<u>15,511</u>	<u>12,082</u>	<u>348,142</u>	<u>754,868</u>
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	<u>40,273</u>	<u>326,493</u>	<u>11,686</u>	<u>2,515</u>	<u>(4,636)</u>	<u>5,069</u>	<u>12,082</u>	<u>328,239</u>	<u>721,721</u>

Note: Pursuant to the relevant rules and regulations of the People's Republic of China ("PRC"), a portion of the profits of a subsidiary and an associate of the Group established in the PRC has been transferred to a reserve fund which is restricted as to their use.

Consolidated Cash Flow Statement*for the year ended 31 December 2004*

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit from operations	57,118	33,013
Adjustments for:		
Surplus on revaluation of investment properties	(7,525)	(960)
Depreciation	51,298	45,617
Allowance for doubtful debts, net	6,315	–
Allowance for inventories, net	1,882	–
Amortisation of goodwill arising from the acquisition of subsidiaries	4,647	–
Impairment loss recognised in respect of plant and machinery	–	13,370
Loss on disposal of investment properties	–	951
(Gain) loss on disposal of property, plant and equipment	(1,308)	268
Interest income	(1,164)	(848)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	111,263	91,411
Increase in inventories	(18,149)	(14,804)
Increase in trade receivables	(988)	(37,836)
(Increase) decrease in prepayments, deposits and other receivables	(8,966)	32,813
Decrease in trade and bills payables	(22,022)	(7,366)
Increase in other payables and accruals	23,757	7,889
(Decrease) increase in amount due to SNP Group	(4,922)	1,545
(Decrease) increase in amounts due to associates	(3,999)	6,144
	<hr/>	<hr/>
Cash generated from operations	75,974	79,796
Hong Kong Profits Tax paid	(11,133)	(12)
PRC income tax paid	(4,095)	(4,194)
Overseas taxes paid	(247)	–
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<hr/> 60,499	<hr/> 75,590

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	(383,872)	–
Purchase of property, plant and equipment	29	(38,064)	(52,802)
Purchase of other investments		(622)	–
Proceeds from disposal of property, plant and equipment		6,313	2,839
Dividend received from an associate		1,964	1,964
Interest received		1,164	848
Repayment to an associate		–	(23,759)
Proceeds from disposal of interests in subsidiaries		–	26,116
Proceeds from disposal of investment properties		–	9,709
		<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(413,117)</u>	<u>(35,085)</u>
FINANCING ACTIVITIES			
New bank loans raised		549,600	27,000
Repayment of bank loans		(101,326)	(56,338)
Dividend paid		(20,137)	(20,137)
Interest paid		(4,111)	(3,459)
Repayment of obligations under finance leases		(564)	–
Dividend paid to minority shareholders		(283)	(1,418)
		<u> </u>	<u> </u>
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		<u>423,179</u>	<u>(54,352)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		70,561	(13,847)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		80,760	94,607
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		<u>491</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		<u><u>151,812</u></u>	<u><u>80,760</u></u>

Notes to the Financial Statements

for the year ended 31 December 2004

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 (Private) Limited, a company incorporated in Singapore.

During the year, the Group was involved in the printing of books, magazines, packaging products and pop-up and touch-and-feel books.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and other investments. 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 represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of subsidiaries and an associate at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is capitalised and amortised on a straight-line basis over its estimated useful economic life. 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.

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.

Other investments

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

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 Statement of Standard Accounting Practice No. ("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	2.5%-5%
Plant and machinery	6 $\frac{2}{3}$ %-33 $\frac{1}{3}$ %
Equipment, furniture and fixtures	10%-50%
Motor vehicles	10%-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 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 unless the relevant asset is carried a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 unless the relevant asset is carried a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

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 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.

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

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 value 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 leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the 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.

3. 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:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Printing of books and magazines	691,124	668,133
Printing of packaging products	95,683	66,453
Printing of pop-up and touch-and-feel books	187,340	–
	<u>974,147</u>	<u>734,586</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS**(a) Business segments**

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

Intersegment sales are charged at prevailing market prices.

Segment information about these businesses is presented below:

For the year ended 31 December 2004

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Printing of pop-up and touch-and- feel books HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue					
External sales	691,124	95,683	187,340	–	974,147
Inter-segment sales	353	6,611	414	(7,378)	–
Total	<u>691,477</u>	<u>102,294</u>	<u>187,754</u>	<u>(7,378)</u>	<u>974,147</u>
Result					
Segment result	<u>80,978</u>	<u>(9,391)</u>	<u>13,340</u>	<u>–</u>	84,927
Surplus on revaluation of investment properties					7,525
Amortisation of goodwill arising from the acquisition of subsidiaries	–	–	(4,647)	–	(4,647)
Unallocated corporate expenses					<u>(30,687)</u>
Profit from operations					57,118
Finance costs					(4,111)
Share of results of associates	2,552	2,688	–	–	5,240
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	–	<u>(403)</u>
Profit before tax					57,844
Income tax expenses					<u>(7,079)</u>
Profit after tax					50,765
Minority interests					<u>(283)</u>
Net profit attributable to shareholders					<u><u>50,482</u></u>

For the year ended 31 December 2004

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Printing of pop-up and touch-and- feel books <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Capital addition	49,402	3,279	7,708	60,389
Depreciation	38,754	5,965	6,579	51,298
Gain (loss) on disposal of property, plant and equipment	1,323	(6)	(9)	1,308
Allowance for doubtful debt, net	–	–	6,315	6,315
Allowance (reversal of allowance) for inventories, net	2,763	–	(881)	1,882
	<u>49,402</u>	<u>3,279</u>	<u>7,708</u>	<u>60,389</u>

At 31 December 2004

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Printing of pop-up and touch-and- feel books <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
BALANCE SHEET				
Assets				
Segment assets	742,726	140,616	549,465	1,432,807
Interests in associates	58,342	24,535	–	82,877
Unallocated corporate assets				228,025
Consolidated total assets				<u>1,743,709</u>
Liabilities				
Segment liabilities	195,076	9,165	85,589	289,830
Unallocated corporate liabilities				696,356
Consolidated total liabilities				<u>986,186</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

For the year ended 31 December 2003

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	668,133	66,453	–	734,586
Inter-segment sales	–	6,128	(6,128)	–
	<u>668,133</u>	<u>72,581</u>	<u>(6,128)</u>	<u>734,586</u>
Total	<u>668,133</u>	<u>72,581</u>	<u>(6,128)</u>	<u>734,586</u>
Result				
Segment result	<u>89,433</u>	<u>(15,965)</u>	–	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				<u>(27,094)</u>
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)	–	–	<u>(403)</u>
Profit before tax				34,000
Income tax expenses				<u>(11,220)</u>
Profit after tax				22,780
Minority interests				<u>(283)</u>
Net profit attributable to shareholders				<u><u>22,497</u></u>

For the year ended 31 December 2003

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>13,370</u>

At 31 December 2003

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
BALANCE SHEET			
Assets			
Segment assets	696,472	131,184	827,656
Interests in associates	56,851	24,535	81,386
Unallocated corporate assets			<u>185,355</u>
Consolidated total assets			<u><u>1,094,397</u></u>
Liabilities			
Segment liabilities	159,133	15,634	174,767
Unallocated corporate liabilities			<u>195,499</u>
Consolidated total liabilities			<u><u>370,266</u></u>

(b) Geographical segments

The printing of books and magazines, packaging products and pop-up and touch-and-feel books divisions are located in the People's Republic of China ("PRC"), Thailand 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.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The PRC, excluding Hong Kong	392,819	359,502
Hong Kong	24,317	34,082
The United States of America	331,885	227,402
United Kingdom	115,215	60,430
Australia	46,406	44,364
Other areas	<u>63,505</u>	<u>8,806</u>
	<u><u>974,147</u></u>	<u><u>734,586</u></u>

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.

5. 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 detailed assessment of its plant and machinery in 2003 and concluded that the recoverable amount of certain machineries were less than their carrying values due to obsolescence. Accordingly, an impairment loss of approximately HK\$13.4 million was recognised as an expense in the income statement in 2003.

6. PROFIT FROM OPERATIONS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations was arrived at after charging:		
Staff costs, including directors' remuneration (<i>note 7(a)</i>):		
– Salaries, wages and other benefits	137,825	84,967
– Retirement benefit scheme contributions, net of forfeited contributions of HK\$5,000 (2003: HK\$14,000)	<u>4,715</u>	<u>4,616</u>
Total staff costs	<u>142,540</u>	<u>89,583</u>
Auditors' remuneration	1,222	1,108
Depreciation of property, plant and equipment		
– Owned assets	50,856	45,617
– Assets held under finance leases	<u>442</u>	<u>–</u>
	<u>51,298</u>	<u>45,617</u>
Minimum lease payments under operating leases:		
– Plant and machinery	96	49
– Land and buildings	<u>4,496</u>	<u>1,076</u>
	<u>4,592</u>	<u>1,125</u>
Exchange loss, net	3,704	–
Allowance for inventories, net	1,882	–
Allowance for doubtful debts, net	6,315	–
and after crediting:		
Gross rental income	1,185	428
Less: outgoings	<u>(966)</u>	<u>(41)</u>
Net rental income	<u>219</u>	<u>387</u>
Interest income	1,164	848
Exchange gain, net	<u>–</u>	<u>1,997</u>

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees:		
Executive directors	–	232
Non-executive directors	614	427
	<u>614</u>	<u>659</u>
Other emoluments of executive directors:		
Salaries and other benefits	4,305	4,841
Retirement benefit scheme contributions	46	103
	<u>4,351</u>	<u>4,944</u>
Total directors' emoluments	<u><u>4,965</u></u>	<u><u>5,603</u></u>

Fees include HK\$391,000 (2003: HK\$309,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

The emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	9	13
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>11</u>	<u>15</u>

No director waived any emoluments in the years ended 31 December 2004 and 2003.

(b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2003: three directors), details of whose emoluments are set out above. The emoluments of the remaining three (2003: two) highest paid individuals were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	4,028	1,990
Retirement benefits schemes contributions	24	43
Performance related incentive payments	696	123
	<u>4,748</u>	<u>2,156</u>

Their emoluments were within the following bands:

	Number of employees	
	2004	2003
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	2	–
	<u>3</u>	<u>2</u>

8. FINANCE COSTS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	3,144	3,459
Bank and other borrowings wholly repayable over five years	914	–
Obligations under finance leases	53	–
	<u>4,111</u>	<u>3,459</u>

9. INCOME TAX EXPENSES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
– Hong Kong	2,035	3,555
– Other jurisdictions	5,851	4,970
	<u>7,886</u>	<u>8,525</u>
(Over)underprovision in prior years:		
– Hong Kong	(834)	–
– Other jurisdictions	1,762	–
	<u>928</u>	<u>–</u>
	<u>8,814</u>	<u>8,525</u>
Deferred taxation (<i>note 26</i>)		
– Current year	(3,117)	500
– Attributable to a change in tax rate	–	919
	<u>(3,117)</u>	<u>1,419</u>
Taxation attributable to the Company and its subsidiaries	5,697	9,944
Share of taxation attributable to associates	1,382	1,276
	<u>7,079</u>	<u>11,220</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions are calculated at the rate prevailing in the respective jurisdictions.

The Group's subsidiaries operating in Thailand are eligible for certain tax holidays and concessions and certain amount of these subsidiaries' profits were exempted from Thailand corporate income tax for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2004		2003	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	<u>57,844</u>		<u>34,000</u>	
Tax at Hong Kong Profits Tax rate of 17.5%	10,123	17.5	5,950	17.5
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	876	1.5	2,364	7.0
Underprovision in prior year	928	1.6	–	–
Tax effect of different tax rates of the subsidiaries and associates operating in other jurisdictions	(995)	(1.7)	(308)	(0.9)
Tax effect of unrecognised tax losses	588	1.0	1,679	4.9
Utilisation of tax losses previously not recognised	(2,953)	(5.1)	–	–
Tax effect of unrecognised allowance for inventories	(616)	(1.1)	616	1.8
Recognition of tax losses previously not recognised	(300)	(0.5)	–	–
Effect of tax exemptions granted to a subsidiary in Thailand	(572)	(1.0)	–	–
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	<u>–</u>	<u>–</u>	<u>919</u>	<u>2.7</u>
Tax expense and effective tax rate for the year	<u><u>7,079</u></u>	<u><u>12.2</u></u>	<u><u>11,220</u></u>	<u><u>33.0</u></u>

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 26).

10. DIVIDENDS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid: HK2 cents (2003: HK2 cents) per share	8,055	8,055
Final dividend proposed: HK3 cents (2003: HK3 cents) per share	<u>12,082</u>	<u>12,082</u>
	<u><u>20,137</u></u>	<u><u>20,137</u></u>

The directors propose that a final dividend of HK3 cents per share be paid to shareholders on 7 April 2005. 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 2004 is payable to all shareholders on the Register of Members on 28 February 2005.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders of HK\$50,482,000 (2003: HK\$22,497,000) and the weighted average of 402,726,918 shares (2003: 402,726,918 shares) in issue during the year.

No diluted earnings per share has been presented because the exercise prices of the Company's options were higher than the average market prices of the shares for both financial years.

12. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
AT VALUATION	
At 1 January 2004	10,420
Surplus on revaluation	7,525
Transfer to property, plant and equipment	<u>(17,945)</u>
At 31 December 2004	<u><u>–</u></u>

During the year, the Group's investment properties were transferred to property, plant and equipment which were revalued at their open market values by Sallmanns (Far East) Limited, independent professionally qualified valuers at 30 November 2004, the time of transfer. The surplus arising on revaluation has been credited to the income statement.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery under installation and factory buildings under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1 January 2004	307,456	502,582	42,701	13,945	724	867,408
Additions	301	9,217	5,014	1,586	44,271	60,389
Acquired on acquisition of subsidiaries	42,015	71,401	8,676	4,075	–	126,167
Reclassifications	1,333	1,043	1,619	324	(4,319)	–
Disposals	(3,202)	(3,620)	(3,658)	(3,472)	–	(13,952)
Transfer from investment properties	17,945	–	–	–	–	17,945
Exchange realignment	575	1,747	128	92	–	2,542
At 31 December 2004	<u>366,423</u>	<u>582,370</u>	<u>54,480</u>	<u>16,550</u>	<u>40,676</u>	<u>1,060,499</u>
Comprising:						
At cost	251,559	582,370	54,480	16,550	40,676	945,635
At valuation – 31.3.1994	58,620	–	–	–	–	58,620
– 31.3.1995	7,393	–	–	–	–	7,393
– 31.3.1998	30,906	–	–	–	–	30,906
– 30.11.2004	17,945	–	–	–	–	17,945
At 31 December 2004	<u>366,423</u>	<u>582,370</u>	<u>54,480</u>	<u>16,550</u>	<u>40,676</u>	<u>1,060,499</u>
DEPRECIATION AND AMORTISATION						
At 1 January 2004	41,526	255,123	30,285	10,322	–	337,256
Provided for the year	6,827	37,125	5,235	2,111	–	51,298
Eliminated on disposals	(765)	(1,187)	(3,627)	(3,368)	–	(8,947)
Exchange realignment	169	1,071	92	70	–	1,402
At 31 December 2004	<u>47,757</u>	<u>292,132</u>	<u>31,985</u>	<u>9,135</u>	<u>–</u>	<u>381,009</u>
NET BOOK VALUES						
At 31 December 2004	<u>318,666</u>	<u>290,238</u>	<u>22,495</u>	<u>7,415</u>	<u>40,676</u>	<u>679,490</u>
At 31 December 2003	<u>265,930</u>	<u>247,459</u>	<u>12,416</u>	<u>3,623</u>	<u>724</u>	<u>530,152</u>

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The carrying amount of leasehold land and buildings comprises:		
Long leases in Hong Kong	102,183	84,525
Medium-term leases in Hong Kong	13,225	8,675
Medium-term leases and land use rights in other parts of the PRC	193,926	172,730
Medium-term leases in Thailand	9,332	–
	<u>318,666</u>	<u>265,930</u>

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 and 2004 valuations are properties which were reclassified from investment properties on the basis of the directors' and independent professional qualified valuers' valuation as at 31 March 1998 and 30 November 2004, respectively.

Had these land and buildings been carried at cost less accumulated depreciation and amortisation, their carrying values would have been approximately HK\$305 million (2003: HK\$252 million).

At 31 December 2004, the net book value of plant and machinery and motor vehicles of the Group includes an amount of approximately HK\$1,841,000 and HK\$2,189,000 respectively in respect of plant and machinery and motor vehicles held under finance leases.

The Group has pledged property, plant and equipment having a net book value of approximately HK\$9,998,000 (2003: nil) to secure general banking facilities granted to the Group.

14. GOODWILL

	THE GROUP
	<i>HK\$'000</i>
COST	
Arising on acquisition of subsidiaries and at 31 December 2004	139,249
AMORTISATION	
Charge for the year and at 31 December 2004	<u>(4,647)</u>
NET CARRYING AMOUNT	
At 31 December 2004	<u>134,602</u>

The amortisation period adopted for goodwill is 10 years.

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	73,024	73,024
Amounts due from subsidiaries	737,595	756,172
	<u>810,619</u>	<u>829,196</u>

Amounts due from subsidiaries are unsecured. Except for an amount of approximately HK\$120,146,000 (2003: HK\$120,146,000) which bears interest at 3% (2003: 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 2004 are set out in note 35.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	82,407	80,513
Goodwill	470	873
	<u>82,877</u>	<u>81,386</u>

The movements in goodwill arising from the acquisition of associates are as follows:

	THE GROUP
	<i>HK\$'000</i>
COST	
At 1 January 2004 and 31 December 2004	<u>2,016</u>
AMORTISATION	
At 1 January 2004	1,143
Charge for the year	<u>403</u>
At 31 December 2004	<u>1,546</u>
NET CARRYING AMOUNT	
At 31 December 2004	<u>470</u>
At 31 December 2003	<u>873</u>

Details of the Group's associates at 31 December 2004 are set out in note 35.

17. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	167,924	92,238
Work in progress	33,309	17,626
Finished goods	6,140	1,674
	<u>207,373</u>	<u>111,538</u>

Included above are raw materials of HK\$9,652,000 (2003: HK\$13,340,000) of the Group carried at net realisable value.

18. TRADE RECEIVABLES

The Group allows different credit periods to its trade customers depending on the type of printing products 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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within credit period	302,420	179,354
1-30 days	49,528	31,901
31-60 days	40,248	17,499
61-90 days	10,272	8,492
Over 90 days	14,814	6,985
	<u>417,282</u>	<u>244,231</u>

19. OTHER INVESTMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities:		
Listed in Hong Kong at market value	622	–
	<u>622</u>	<u>–</u>

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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	119,533	84,555
31-60 days	14,695	10,531
61-90 days	3,303	7,393
91-120 days	2,213	2,641
Over 120 days	7,432	1,010
	<u>147,176</u>	<u>106,130</u>

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value	
	lease payments		of minimum	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
Amounts payable under finance leases:				
Within one year	1,436	–	1,333	–
In the second to fifth year inclusive	1,338	–	1,290	–
	<u>2,774</u>	<u>–</u>	<u>2,623</u>	<u>–</u>
Less: Future finance charges	(151)	–	–	–
Present value of lease obligations	<u>2,623</u>	<u>–</u>	2,623	–
Less: Amount due for settlement within one year (shown under current liabilities)			<u>(1,333)</u>	–
Amount due for settlement after one year			<u>1,290</u>	–

The lease term ranges from two to five years. For the year ended 31 December 2004, the average effective borrowing rate was 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 Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

22. BANK BORROWINGS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Secured bank loans	6,736	–
Unsecured bank loans	652,145	172,000
	<u>658,881</u>	<u>172,000</u>

The above amounts bear interest at prevailing market rates and are repayable as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	158,881	47,000
In the second year	100,000	40,000
In the third to fifth years inclusive	275,000	85,000
Over five years	125,000	–
	<u>658,881</u>	<u>172,000</u>
Less: Amount due for settlement within one year (shown under current liabilities)	<u>(158,881)</u>	<u>(47,000)</u>
Amount due for settlement after one year	<u>500,000</u>	<u>125,000</u>

23. SHARE CAPITAL

	2004		2003	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 January and 31 December	<u>500,000,000</u>	<u>50,000</u>	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:				
At 1 January and 31 December	<u>402,726,918</u>	<u>40,273</u>	<u>402,726,918</u>	<u>40,273</u>

24. SHARE OPTIONS SCHEMES

(a) 2003 Scheme

A 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 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 2004, the number of shares of the Company in respect of which options had remained outstanding under the 2003 Scheme of the Company was 2,900,000, representing 0.7% 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\$19 (2003: HK\$17).

The exercise price of the share options is determined by the Board of Directors providing that 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 the details of the share options under 2003 Scheme held by a director and employees and movements in such holdings during the year of 2003 and 2004:

	Date of grant	Number of share options					Outstanding at 31.12.2004	Exercise price per share
		Outstanding at 1.1.2003	Granted during the year	Outstanding at 1.1.2004	Granted during the year	Lapsed during the year		
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
A director	9 October 2003	-	450,000	450,000	-	-	450,000	1.45
	25 November 2004	-	-	-	225,000	-	225,000	1.05
Employees	9 October 2003	-	1,510,000	1,510,000	-	(180,000)	1,330,000	1.45
	25 November 2004	-	-	-	895,000	-	895,000	1.05
		-	1,960,000	1,960,000	1,120,000	(180,000)	2,900,000	

The options granted 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 after ten years from the date of grant.

(b) 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 SNP share options held by the directors of the Company and movements thereon during the year:

Name of director	Number of share options				Outstanding at 31.12.2004
	Outstanding at 1.1.2004	Granted during the year	Exercised during the year	Lapsed during the year	
Peter, Yang Sze Chen	5,000	20,000	–	–	25,000
Yeo Chee Tong	400,000	160,000	–	–	560,000
Tay Siew Choon	120,000	70,000	–	–	190,000
Edmund, Cheng Wai Wing	55,000	50,000	(25,000)	–	80,000
John Robert Walter (note 1)	90,000	50,000	–	–	140,000
Koo Tse Chia (note 2)	370,000	–	–	(370,000)	–
	<u>1,040,000</u>	<u>350,000</u>	<u>(25,000)</u>	<u>(370,000)</u>	<u>995,000</u>

Note 1: John Robert Walter was appointed as a director of the Company on 6 February 2004. Before John Robert Walter became a director of the Company, the number of share options outstanding held by him under SNP Share Option Plan was 90,000.

Note 2: Koo Tse Chia resigned as director of the Company on 6 February 2004.

(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 based on medium-term corporate objectives.

There are no awards of performance shares to the senior executives and the directors during the years ended 31 December 2004 and 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.

25. RESERVES

	Contributed surplus <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY						
At 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 and 1 January 2004	63,516	326,493	2,515	12,082	229,495	634,101
Net loss for the year	–	–	–	–	(1,255)	(1,255)
Final 2003 dividend paid	–	–	–	(12,082)	–	(12,082)
Interim 2004 dividend paid	–	–	–	–	(8,055)	(8,055)
Proposed final 2004 dividend	–	–	–	12,082	(12,082)	–
At 31 December 2004	<u>63,516</u>	<u>326,493</u>	<u>2,515</u>	<u>12,082</u>	<u>208,103</u>	<u>612,709</u>

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:

- the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- 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.

26. DEFERRED TAX LIABILITIES

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
At the beginning of the year	13,605	11,981
(Credit) charge to income statement for the year	(3,117)	500
Effect of change in tax rate	–	1,124
Acquired on acquisition of subsidiaries	6,233	–
At the end of the year	<u>16,721</u>	<u>13,605</u>

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the year and prior reporting period:

	Accelerated tax depreciation <i>HK\$'000</i>	Allowance for doubtful debts <i>HK\$'000</i>	Allowance for inventories <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 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 and 1 January 2004	17,690	(3,250)	(2,862)	2,389	(362)	13,605
Acquired on acquisition of subsidiaries	6,233	–	–	–	–	6,233
(Credit) charge to income statement for the year	(1,388)	72	(11)	–	(1,790)	(3,117)
At 31 December 2004	<u>22,535</u>	<u>(3,178)</u>	<u>(2,873)</u>	<u>2,389</u>	<u>(2,152)</u>	<u>16,721</u>

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	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Allowance for inventories	–	616
Tax losses (<i>note</i>)	1,522	4,187
	<u>1,522</u>	<u>4,803</u>

Note: As at 31 December 2003, included in unrecognised tax losses are tax losses of HK\$11.1 million and HK\$5.6 million that will expire in 2008 and 2007, respectively. As at 31 December 2004, no unrecognised tax losses will expire in 2008 and 2007. Other tax losses of HK\$8.7 million (2003: HK\$1.0 million) may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

27. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured. Except for an amount of approximately HK\$120,146,000 (2003: HK\$120,146,000) which bears interest at 3% (2003: 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.

28. ACQUISITION OF SUBSIDIARIES

On 8 September 2004, the Group acquired the entire issued share capital of SNP Excel (Hong Kong) Company Limited (formerly known as SNP Excel United Company Limited) (“Excel (HK)”) and an equivalent of approximately 99.95% of issued voting share capital of SNP Excel (Thailand) Co., Ltd. (formerly known as SNP SPrint (Thailand) Co., Ltd.) (“Excel (Thai)”) for total consideration of approximately HK\$409,296,000. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was approximately HK\$139,249,000.

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	126,167	–
Inventories	78,840	–
Trade receivables	176,559	–
Prepayments, deposits and other receivables	15,837	–
Bank balances and cash	25,424	–
Trade payables	(62,877)	–
Other payables and accruals	(32,180)	–
Amounts due to SNP Group	(5,299)	–
Obligations under finance leases	(3,187)	–
Tax liabilities	(5,568)	–
Deferred tax liabilities	(6,233)	–
Bank borrowings	(37,191)	–
Minority interests	(245)	–
	<u>270,047</u>	<u>–</u>
Goodwill	139,249	–
	<u>409,296</u>	<u>–</u>

The total consideration is satisfied by cash.

Net cash outflow (inflow) arising on acquisition:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	409,296	–
Bank balances and cash acquired	(25,424)	–
	<u>383,872</u>	<u>–</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>383,872</u>	<u>–</u>

The subsidiaries acquired during the year contributed approximately HK\$187,340,000 to the Group’s turnover, and HK\$13,340,000 to the Group’s profit from operations.

29. MAJOR NON-CASH TRANSACTION

During the year, the Company has purchased property, plant and equipment of approximately HK\$60,389,000 of which approximately HK\$22,325,000 has not been due under the terms of the contract as at 31 December 2004.

30. OPERATING LEASES

(a) The Group as lessee

The Group leases certain of its production factories, warehouse and staff quarters under operating lease arrangements. Leases for properties are negotiated for a term ranging from two to fifty 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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	5,529	837
In the second to fifth year inclusive	15,060	366
Over five years	111,865	–
	<u>132,454</u>	<u>1,203</u>

(b) The Group as lessor

The Group leases its property and machinery under operating lease arrangements, with leases negotiated for terms ranging from three to four years. The property and machinery are expected to generate average rental yields of 5% (2003: 4%) on an ongoing basis.

During 2003, the Group also leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The investment properties were transferred to property, plant and equipment during the year.

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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,097	47
In the second to fifth year inclusive	1,297	–
	<u>2,394</u>	<u>47</u>

31. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided	3,878	5,356
– authorised but not contracted for	47	35
	<u>3,925</u>	<u>5,391</u>

The Company had no capital commitment at the balance sheet date (2003: Nil).

32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	–	–	1,378,152	754,200
Guarantee given to an independent third party in respect of future lease payment of a staff quarter	49	133	–	–
	<u>49</u>	<u>133</u>	<u>1,378,152</u>	<u>754,200</u>

33. 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 MPF 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.

34. 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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due to SNP Group	1,971	1,545	1,697	441
Amounts due to associates	13,862	17,861	–	–
	<u>13,862</u>	<u>17,861</u>	<u>–</u>	<u>–</u>

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

An aged analysis of the amounts due to associates as at the balance sheet date, based on payment due date, is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0-30 days	3,901	9,029
31-60 days	4,271	4,560
61-90 days	4,066	4,272
91-120 days	1,624	–
	<u>13,862</u>	<u>17,861</u>

Transactions

- (a) During the year, the Group entered the following transactions with Beijing SNP Leefung Changcheng Printers Co., Ltd. (formerly known as Beijing Leefung-Asco Changcheng Printers Limited), an indirect 47% owned associate.

Nature of transactions	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Subcontracting fee paid	40,638	40,220
Rental income received	877	–
Sales of goods	1,829	–
	<u> </u>	<u> </u>

The transactions were determined at the rates fairly negotiated between both parties.

- (b) During the year, the Group also entered the following transactions with SNP Group.

Nature of transactions	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Services fee paid	1,664	560
Sales of goods	89	50
	<u> </u>	<u> </u>

The transactions were carried out at the terms agreed by both parties.

- (c) On 8 September 2004, the Group acquired the entire issued share capital of Excel (HK) and an equivalent of approximately 99.95% of issued voting share capital of Excel (Thai) for total consideration of approximately HK\$403,100,000 from SNP.

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries at 31 December 2004 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.	Contributed capital	PRC	US\$1,500,000	90%	Printing of magazines
SNP Excel (Hong Kong) Company Limited (formerly known as SNP Excel United Company Limited)	Ordinary	Hong Kong	HK\$7,000,000	100%	Printing of books

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

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
SNP Leefung Investments Limited	Ordinary	British Virgin Islands	US\$100	100%	Investment holding
SNP Leefung Limited	Ordinary Deferred <i>(Note 1)</i>	Hong Kong	HK\$10,000 HK\$7,500,000	100% 100%	Investment holding and trading of books and packaging products
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.	Contributed capital	PRC	US\$16,250,000	100%	Printing of books and packaging products
SNP Leefung Printers Limited	Ordinary	Hong Kong	HK\$2	100%	Trading of books and packaging products
SNP Leefung Printers (Shenzhen) Co., Ltd.	Contributed capital	PRC	US\$15,000,000	100%	Printing of books and magazines
SNP Leefung Properties Limited	Ordinary	Hong Kong	HK\$2	100%	Property holding
SNP Excel (Thailand) Co., Ltd. (formerly known as SNP SPrint (Thailand) Co., Ltd.)	Ordinary Preference <i>(Note 2)</i>	Thailand	Baht107,800,000 Baht112,200,000	99.96% 98.93%	Printing of books
Best-Set Typesetter Limited Guangzhou	Contributed capital	PRC	US\$578,205	100%	Typesetting
Panyu Excel Printing United Company Limited	Contributed capital	PRC	HK\$43,000,000	100%	Printing of books
SNP Best-Set Typesetter Limited	Ordinary	Hong Kong	HK\$600,000	100%	Typesetting

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 securities 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.

Notes:

1. The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the Company or to participate in any distribution in winding up.
2. 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.

Details of the Group's associates which are held by the Company indirectly at 31 December 2004 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)	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 cooperative 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 QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2005

Set out below is the unaudited quarterly results of the Group for the three months ended 31 March 2005 together with the comparative figures for the corresponding period in the previous year and the accompanying notes thereof as extracted from the announcement of the Company dated 12 April 2005.

Consolidated Profit and Loss Account

	<i>Notes</i>	Three months ended 31 March 2005 (Unaudited) HK\$'000	Three months ended 31 March 2004 (Unaudited) HK\$'000
Turnover	2	286,374	190,615
Cost of sales		<u>(224,629)</u>	<u>(148,628)</u>
Gross profit		61,745	41,987
Other operating income		843	786
Selling and distribution costs		(27,575)	(14,848)
Administrative expenses		<u>(21,961)</u>	<u>(19,466)</u>
Profit from operations		13,052	8,459
Finance costs		(2,524)	(434)
Share of results of associates		1,298	1,307
Amortisation of goodwill arising from the acquisition of an associate		<u>–</u>	<u>(101)</u>
Profit before tax		11,826	9,231
Income tax expenses	3	<u>(2,579)</u>	<u>(1,988)</u>
Profit after tax		9,247	7,243
Minority interests		<u>(71)</u>	<u>(71)</u>
Net profit attributable to shareholders		<u>9,176</u>	<u>7,172</u>
Basic earnings per share	4	<u>HK2.28 cents</u>	<u>HK1.78 cents</u>

Notes:

1. Basis of preparation and accounting policies

The accounting policies and basis of preparation used in preparing the quarterly results are the same as those adopted in preparing the financial statement for the year ended 31 December 2004.

In the current period, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

2. Turnover by geographical areas

	Three months ended 31 March 2005 (Unaudited) HK\$'000	Three months ended 31 March 2004 (Unaudited) HK\$'000
Mainland China, excluding Hong Kong	90,592	92,312
Hong Kong	<u>12,319</u>	<u>6,652</u>
	102,911	98,964
United States of America	110,436	37,625
United Kingdom	46,711	26,664
Australia	7,274	24,091
Other areas	<u>19,042</u>	<u>3,271</u>
	<u><u>286,374</u></u>	<u><u>190,615</u></u>

3. Income tax expenses

	Three months ended 31 March 2005 (Unaudited) HK\$'000	Three months ended 31 March 2004 (Unaudited) HK\$'000
Current tax:		
Hong Kong	1,656	1,067
Other jurisdictions	<u>514</u>	<u>548</u>
Taxation attributable to the Company and its subsidiaries	2,170	1,615
Share of taxation attributable to associates	<u>409</u>	<u>373</u>
	<u><u>2,579</u></u>	<u><u>1,988</u></u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the period.

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdiction.

4. Basic earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2005 is based on the net profit attributable to shareholders of approximately HK\$9,176,000 (2004: HK\$7,172,000) and the weighted average of 402,726,918 shares (2004: 402,726,918 shares) in issue during the period.

There was no dilution arising from the outstanding share options granted by the Company in 2003. The dilution from the outstanding share options granted by the Company in 2004 was immaterial. Accordingly, diluted earnings per share have not been shown.

Set out below is the accountants' report on Yau Yue for each of the three financial years ended 31 March 2002, 2003 and 2004 and the nine months ended 31 December 2004, as extracted from the circular of the Company dated 29 April 2005.

Deloitte.
德勤

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永安中心26樓

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111 Connaught Road Central
Hong Kong

29 April 2005

The Directors
SNP Leefung Holdings Limited
Yau Yue Paper Products Limited
Tai Fook Capital Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding Yau Yue Paper Products Limited (“Yau Yue”) and its subsidiaries (hereinafter collectively referred to as “Yau Yue Group”) for each of the three years ended 31 March 2002, 2003 and 2004 and the nine months ended 31 December 2004 (the “Relevant Periods”), for inclusion in the circular of SNP Leefung Holdings Limited dated 29 April 2005 (the “Circular”), issued in connection with the proposed acquisition of Yau Yue (the “Acquisition”).

Yau Yue was incorporated in Hong Kong on 8 January 1988 with limited liability and is principally engaged in the manufacture and trading of paper products.

As at 31 December 2004, Yau Yue 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	Place and date of incorporation or registration/ operations	Issued and fully paid share capital/ paid up registered capital	Attributable equity interest held by		Principal activities
			Yau Yue Directly	Indirectly	
Yau Ying Paper Products Limited (“Yau Ying Paper”)*	Hong Kong 20 August 2003	HK\$10,000	100%	–	Investment holding
Yau Ying Paper Products (Shenzhen) Limited 有盈紙品(深圳)有限公司 (“Yau Ying Shenzhen”)	The People’s Republic of China (the “PRC”) 31 December 2003	HK\$1,000,000	–	100%	Production of corrugated box and operation has not yet been commenced

* Yau Yue disposed of 100% equity interest in Yau Ying Paper and its subsidiary Yau Ying Shenzhen subsequent to 31 December 2004.

Since Yau Yue has no subsidiaries as at 31 March 2002 and 31 March 2003, no consolidated financial statements have therefore been presented.

The statutory financial statements of Yau Ying Shenzhen were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC. The statutory auditors of Yau Ying Shenzhen were 深圳市永明會計師事務所 (Yong Ming Certified Public Accountants Company Limited) and 深圳正大華明會計師事務所 (Shenzhen Chan, Chow & Tse Certified Public Accountants), Certified Public Accountants registered in the PRC, as of period ended 31 December 2003 and for the year ended 31 December 2004, respectively.

The financial statements of Yau Yue for each of the three years ended 31 March 2004 were audited by Onric CPA Limited, Certified Public Accountants registered in Hong Kong. No financial statements have been prepared for Yau Ying Paper since its incorporation. We have acted as auditors of Yau Yue Group for the nine months ended 31 December 2004.

For the purpose of this report, we have however, undertaken our own independent audits in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") of the financial statements of Yau Ying Shenzhen and Yau Ying Paper for the Relevant Periods or since the respective date of incorporation/establishment to 31 December 2004 which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the audited financial statements or, where appropriate, management accounts ("Underlying Financial Statements") of Yau Yue Group for the Relevant Periods or from the respective date of incorporation to 31 December 2004, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Yau Yue 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 Yau Yue as at 31 March 2002, 31 March 2003, 31 March 2004 and 31 December 2004 and of Yau Yue Group as at 31 March 2004 and 31 December 2004 and of the results and cash flows of Yau Yue for the two years ended 31 March 2003 and of Yau Yue Group for the year ended 31 March 2004 and nine months ended 31 December 2004.

A. FINANCIAL INFORMATION

Income Statements

	<i>Notes</i>	Yau Yue		Yau Yue Group	
		Year ended 31 March		Year ended 31 March	
		2002	2003	2004	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	177,888	227,278	261,855	219,456
Cost of sales		(148,203)	(182,703)	(210,923)	(190,554)
Gross profit		29,685	44,575	50,932	28,902
Other operating income		–	135	229	99
Selling and distribution costs		(9,525)	(12,168)	(7,822)	(7,666)
Administrative expenses		(5,723)	(6,359)	(7,588)	(7,880)
Profit from operations	5	14,437	26,183	35,751	13,455
Finance costs	7	(1,316)	(1,287)	(1,432)	(1,838)
Profit before taxation		13,121	24,896	34,319	11,617
Taxation	8	(1,015)	(2,076)	(3,104)	(980)
Net profit for the year/period		<u>12,106</u>	<u>22,820</u>	<u>31,215</u>	<u>10,637</u>
Dividends	9	<u>5,280</u>	<u>10,120</u>	<u>20,240</u>	<u>–</u>
Earnings per share – basic	10	<u>HK\$2.75</u>	<u>HK\$5.19</u>	<u>HK\$7.09</u>	<u>HK\$2.42</u>

Note: As Yau Yue has no subsidiaries for the years ended 31 March 2002 and 31 March 2003, no consolidated income statements for the years ended 31 March 2002 and 31 March 2003 have therefore been presented.

Consolidated Balance Sheets

	<i>Notes</i>	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
Non-current asset			
Property, plant and equipment	<i>11</i>	42,769	56,578
Deposit paid for property, plant and equipment		3,531	496
		<u>46,300</u>	<u>57,074</u>
Current assets			
Inventories	<i>13</i>	28,105	35,052
Trade receivables	<i>14</i>	53,672	59,068
Amount due from a director	<i>15</i>	806	854
Other receivables		3,478	303
Taxation recoverable		430	1,023
Bank balances and cash		14,099	7,223
		<u>100,590</u>	<u>103,523</u>
Current liabilities			
Amount due to a director	<i>15</i>	76	126
Trade and other payables	<i>16</i>	21,455	19,880
Dividend payable		20,240	20,240
Obligations under finance leases			
– due within one year	<i>17</i>	2,515	2,709
Bank borrowings – due within one year	<i>18</i>	36,436	39,658
		<u>80,722</u>	<u>82,613</u>
Net current assets		<u>19,868</u>	<u>20,910</u>
Total assets less current liabilities		<u>66,168</u>	<u>77,984</u>
Non-current liabilities			
Obligations under finance leases			
– due after one year	<i>17</i>	7,182	5,526
Bank borrowings – due after one year	<i>18</i>	8,601	10,378
Deferred tax liabilities	<i>19</i>	2,453	3,483
Retirement benefit obligations		654	682
		<u>18,890</u>	<u>20,069</u>
Net assets		<u>47,278</u>	<u>57,915</u>
Capital and reserves			
Share capital	<i>20</i>	4,400	4,400
Reserves		42,878	53,515
Total capital and reserves		<u>47,278</u>	<u>57,915</u>

Balance Sheets

		As at 31 March			As at
	Notes	2002	2003	2004	31 December
		HK\$'000	HK\$'000	HK\$'000	2004
					HK\$'000
Non-current assets					
Property, plant and equipment	11	9,535	11,833	42,769	56,578
Deposit paid for property, plant and equipment		–	2,904	3,531	496
Investment in a subsidiary	12	–	–	10	–
		<u>9,535</u>	<u>14,737</u>	<u>46,310</u>	<u>57,074</u>
Current assets					
Inventories	13	5,940	14,801	28,105	35,052
Trade receivables	14	34,187	43,340	53,672	59,068
Amount due from a director	15	–	–	806	854
Other receivables		141	1,571	3,478	303
Tax recoverable		–	–	430	1,023
Bank balances and cash		3,935	7,873	14,095	7,164
		<u>44,203</u>	<u>67,585</u>	<u>100,586</u>	<u>103,464</u>
Current liabilities					
Amount due to a director	15	–	1,493	60	–
Trade and other payables	16	11,335	12,153	21,455	19,880
Dividend payable		3,828	10,120	20,240	20,240
Taxation payable		629	913	–	–
Obligations under finance leases					
– due within one year	17	115	489	2,515	2,709
Bank borrowings					
– due within one year	18	12,603	17,783	36,436	39,658
		<u>28,510</u>	<u>42,951</u>	<u>80,706</u>	<u>82,487</u>
Net current assets		<u>15,693</u>	<u>24,634</u>	<u>19,880</u>	<u>20,977</u>
Total assets less current liabilities		<u>25,228</u>	<u>39,371</u>	<u>66,190</u>	<u>78,051</u>
Non-current liabilities					
Obligations under finance leases					
– due after one year	17	–	1,429	7,182	5,526
Bank borrowings					
– due after one year	18	1,168	462	8,601	10,378
Deferred tax liabilities	19	457	536	2,453	3,483
Retirement benefit obligations		–	641	654	682
		<u>1,625</u>	<u>3,068</u>	<u>18,890</u>	<u>20,069</u>
Net assets		<u>23,603</u>	<u>36,303</u>	<u>47,300</u>	<u>57,982</u>
Capital and reserves					
Share capital	20	4,400	4,400	4,400	4,400
Accumulated profits	21	19,203	31,903	42,900	53,582
Total capital and reserves		<u>23,603</u>	<u>36,303</u>	<u>47,300</u>	<u>57,982</u>

Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	4,400	31,903	36,303
Net profit for the year	–	31,215	31,215
Dividend	–	(20,240)	(20,240)
	<hr/>	<hr/>	<hr/>
At 31 March 2004	4,400	42,878	47,278
Net profit for the period	–	10,637	10,637
	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>4,400</u>	<u>53,515</u>	<u>57,915</u>

Cash Flow Statements

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	2004	31 December
		<i>HK\$'000</i>	2004	<i>HK\$'000</i>
OPERATING ACTIVITIES				
Profit from operations	14,437	26,183	35,751	13,455
Adjustments for:				
Allowance for bad and doubtful debts	–	–	277	706
Depreciation	4,261	4,032	1,920	3,874
Bank interest income	–	(2)	(4)	(7)
(Gain) loss on disposal of property, plant and equipment	–	(24)	202	–
Retirement benefit obligations	–	641	13	28
Operating cash flows before movements in working capital	18,698	30,830	38,159	18,056
Decrease (increase) in inventories	2,305	(8,861)	(13,304)	(6,947)
Increase in trade receivables	(2,994)	(9,153)	(10,609)	(6,102)
Decrease (increase) in other receivables	32	(1,430)	(1,907)	3,175
Increase in amount due from a director	–	–	(806)	(48)
(Decrease) increase in trade and other payables	(2,859)	522	1,453	(733)
Increase (decrease) in amount due to a director	–	1,493	(1,417)	50
Cash generated from operations	15,182	13,401	11,569	7,451
Hong Kong Profits Tax paid	(551)	(1,713)	(2,530)	(543)
Interest paid	(1,316)	(1,287)	(1,432)	(1,838)
NET CASH FROM OPERATING ACTIVITIES	13,315	10,401	7,607	5,070

	Yau Yue		Yau Yue Group	
			Nine months	
	Year ended 31 March		Year ended	ended
	2002	2003	31 March	31 December
HK\$'000	HK\$'000	2004	2004	
		HK\$'000	HK\$'000	
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(3,259)	(6,831)	(19,300)	(15,000)
Proceeds on disposal of property, plant and equipment	–	24	1,877	–
Interest received	–	2	4	7
<hr/>				
NET CASH USED IN INVESTING ACTIVITIES	(3,259)	(6,805)	(17,419)	(14,993)
<hr/>				
FINANCING ACTIVITIES				
New bank borrowings raised	–	315	16,531	8,544
Trust receipt loans	(1,331)	5,167	12,796	2,929
Repayment of obligations under finance leases	(1,596)	(304)	(634)	(1,952)
Dividend paid	(1,452)	(3,828)	(10,120)	–
Repayment of bank borrowings	(4,172)	(1,008)	(2,535)	(6,474)
<hr/>				
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(8,551)	342	16,038	3,047
<hr/>				
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,505	3,938	6,226	(6,876)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	2,430	3,935	7,873	14,099
<hr/>				
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	3,935	7,873	14,099	7,223
<hr/> <hr/>				

Note: As Yau Yue has no subsidiaries for the years ended 31 March 2002 and 31 March 2003, no consolidated cash flow statements for the years ended 31 March 2002 and 31 March 2003 have therefore been presented.

Notes:

1. GENERAL

Yau Yue is a private limited company incorporated in Hong Kong. Yau Yue and its subsidiaries are engaged in the manufacture and trading of paper products.

Yau Yue has changed its financial year end date in respect of the accounting periods commencing on or after 1 April 2004 from 31 March to 31 December.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. Yau Yue Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

Yau Yue Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. 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 Yau Yue and its subsidiary made up to 31 March for the year ended 31 March 2004 and for the nine months ended 31 December 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 Yau Yue Group are eliminated on consolidation.

Investments in subsidiary

Investments in subsidiary is included in Yau Yue's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and any identified impairment losses.

Construction in progress are stated at cost, less accumulated impairment losses. No depreciation is provided for construction in progress until the construction is completed and assets are ready for use.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures and equipment	20%
Plant and machinery	10%-20%
Motor vehicles	20%
Decoration and installation	20%
Computer equipment	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the period of the relevant lease.

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.

Impairment

At each balance sheet date, Yau Yue Group 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, such 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 first-in, first-out 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 years 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 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary, except where Yau Yue 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.

Assets held under finance 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 Yau Yue 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 rentals are charged to the income statement on a straight line basis over the relevant lease term.

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 foreign currencies 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 dealt with in the income statement.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and the state-managed retirement benefit schemes are charged as expenses when they fall due.

4. TURNOVER

Turnover represents the gross amounts received and receivable for goods sold less returns and allowances to outside customers during the year/period.

5. PROFIT FROM OPERATIONS

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	HK\$'000	HK\$'000	2004	31 December
		HK\$'000	2004	HK\$'000
Profit from operations has been arrived at after charging:				
Auditors' remuneration	25	25	25	200
Depreciation and amortisation	4,261	4,032	1,920	3,874
Loss on disposal of property, plant and equipment	–	–	202	–
Allowance for bad and doubtful debts	–	–	277	706
Directors' remuneration (<i>Note 6</i>)	1,225	1,270	1,508	810
Other staff costs:				
Salaries and other allowances	6,772	9,010	9,631	8,845
Retirement benefits scheme contribution, excluding directors	35	36	36	84
Total staff costs	8,032	10,316	11,175	9,739
and after crediting:				
Gain on disposal of property, plant and equipment	–	24	–	–
Bank interest income	–	2	4	7

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of directors' emoluments are as follows:

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	HK\$'000	HK\$'000	2004	31 December
		HK\$'000	2004	HK\$'000
Directors				
– fees	–	–	–	–
– salaries and other benefits	677	558	728	792
– bonus	531	690	756	–
– retirement benefits scheme contributions	17	22	24	18
Total emoluments	1,225	1,270	1,508	810

The emoluments of the directors were detailed as follows:

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	HK\$'000	HK\$'000	2004	31 December
		HK\$'000	2004	HK\$'000
Mr. Kwong Chi Kin	796	635	754	405
Mr. Kwong Chi Keung	429	635	754	405
	1,225	1,270	1,508	810

Of the five individuals with the highest emoluments in Yau Yue Group for the Relevant Periods, two were directors of Yau Yue whose emoluments are included in the disclosure set out above. The emoluments of the remaining individuals were as follows:

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	HK\$'000	HK\$'000	2004	31 December
		HK\$'000	2004	HK\$'000
Employee				
– salaries and other benefits	972	1,082	1,258	914
– bonus	–	–	–	–
– retirement benefits scheme contributions	10	2	2	4
	982	1,084	1,260	918

The emoluments of the employees were within the following bands:

	Number of employees			
	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
		2004	31 December	
			2004	
Nil-HK\$1,000,000	3	3	3	3

During the Relevant Periods, no emoluments were paid by Yau Yue 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 Yau Yue or as compensation for loss of office. No director waived any emoluments during the Relevant Periods.

7. FINANCE COSTS

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	HK\$'000	HK\$'000	2004	31 December
		HK\$'000	2004	
			HK\$'000	
Interest on:				
– obligations under finance leases	86	37	91	282
– bank borrowings wholly repayable within five years	1,230	1,250	1,341	1,556
	<u>1,316</u>	<u>1,287</u>	<u>1,432</u>	<u>1,838</u>

8. TAXATION

	Yau Yue		Yau Yue Group	
	Year ended 31 March		Year ended	Nine months
	2002	2003	31 March	ended
	HK\$'000	HK\$'000	2004	31 December
		HK\$'000	2004	
			HK\$'000	
The charge comprises:				
Hong Kong Profits Tax:				
– Current year/period	1,090	2,000	1,200	–
– Overprovision in prior years	(39)	(3)	(13)	(50)
	<u>1,051</u>	<u>1,997</u>	<u>1,187</u>	<u>(50)</u>
Deferred tax (<i>note 19</i>):				
– (Credit) charge for the year/period	(36)	79	1,867	1,030
– Attributable to change in tax rate in Hong Kong	–	–	50	–
	<u>1,015</u>	<u>2,076</u>	<u>3,104</u>	<u>980</u>

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 March 2004 and the nine months ended 31 December 2004. The provision for Hong Kong Profits Tax is made in accordance with Departmental Interpretation and Practice Note No. 21 issued by the Hong Kong Inland Revenue Department which specifies that only 50% of the assessable profits derived from the sale of goods manufactured in the PRC under commission processing agreements would be subject to Hong Kong Profits Tax.

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 March 2004.

The PRC statutory tax rate is 33%. The PRC subsidiary has no assessable profit for the year ended 31 March 2004, and the nine months ended 31 December 2004.

The charge for the Relevant Periods can be reconciled to profit before taxation per the income statement as follows:

	Yau Yue		Yau Yue Group		
	Year ended 31 March		Year ended	Nine months	
	2002	2003	31 March	ended	
	<i>HK\$'000</i>	<i>HK\$'000</i>	2004	31 December	
				2004	
				<i>HK\$'000</i>	
Profit before taxation	13,121	24,896	34,319	11,617	
Tax at the Hong Kong Profits					
Tax rate of 16%, 16%, 17.5% and 17.5% respectively	2,099	3,983	6,006	2,033	
Tax effect of expenses that are not deductible for tax purposes	3	150	51	27	
Tax effect of income not taxable for tax purposes	(1,051)	(2,067)	(3,040)	(1,030)	
Overprovision of profits tax in prior years	(39)	(3)	(13)	(50)	
Increase in opening deferred tax balances resulting from an increase in Hong Kong Profits Tax rate	–	–	50	–	
Others	3	13	50	–	
Tax expense for the year/period	1,015	2,076	3,104	980	

Details of deferred tax liabilities for the Relevant Periods are set out in note 19.

9. DIVIDENDS

	Yau Yue		Yau Yue Group		
	Year ended 31 March		Year ended	Nine months	
	2002	2003	31 March	31 December	
	<i>HK\$'000</i>	<i>HK\$'000</i>	2004	2004	
				<i>HK\$'000</i>	
				<i>HK\$'000</i>	
Ordinary shares					
Interim dividend of HK\$0.33 (31.3.2003, 31.3.2004 and 31.12.2004: Nil) per ordinary share	1,452	–	–	–	
Final dividend of HK\$0.87 (31.3.2003: HK\$2.3, 31.3.2004: HK\$4.6 and 31.12.2004: Nil) per ordinary share	3,828	10,120	20,240	–	
	5,280	10,120	20,240	–	

10. 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 4,400,000 shares in issue during the Relevant Periods.

Diluted earnings per share have not been presented for the Relevant Periods as Yau Yue has no potential dilutive shares outstanding during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Decoration and installation HK\$'000	Construction in progress HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Yau Yue Group								
COST								
At 1 April 2003	2,397	617	37,030	3,710	2,183	-	1,206	47,143
Additions	-	127	29,673	1,065	-	3,916	154	34,935
Disposals	-	(288)	(9,308)	(863)	(333)	-	(305)	(11,097)
At 31 March 2004	2,397	456	57,395	3,912	1,850	3,916	1,055	70,981
Additions	-	340	11,179	331	-	4,870	963	17,683
Disposals	-	-	(11,232)	-	-	-	-	(11,232)
Reclassification	-	-	-	-	8,786	(8,786)	-	-
At 31 December 2004	2,397	796	57,342	4,243	10,636	-	2,018	77,432
DEPRECIATION AND AMORTISATION								
At 1 April 2003	480	587	29,160	1,938	2,104	-	1,041	35,310
Provided for the year	48	17	1,071	604	55	-	125	1,920
Eliminated on disposals	-	(277)	(7,253)	(863)	(333)	-	(292)	(9,018)
At 31 March 2004	528	327	22,978	1,679	1,826	-	874	28,212
Provided for the period	36	53	2,566	555	458	-	206	3,874
Eliminated on disposals	-	-	(11,232)	-	-	-	-	(11,232)
At 31 December 2004	564	380	14,312	2,234	2,284	-	1,080	20,854
NET BOOK VALUES								
At 31 December 2004	1,833	416	43,030	2,009	8,352	-	938	56,578
At 31 March 2004	1,869	129	34,417	2,233	24	3,916	181	42,769

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Decoration and installation HK\$'000	Construction in progress HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Yau Yue								
COST								
At 1 April 2001	2,397	582	29,686	2,020	2,183	–	1,075	37,943
Additions	–	10	2,885	336	–	–	28	3,259
At 31 March 2002	2,397	592	32,571	2,356	2,183	–	1,103	41,202
Additions	–	25	4,459	1,743	–	–	103	6,330
Disposals	–	–	–	(389)	–	–	–	(389)
At 31 March 2003	2,397	617	37,030	3,710	2,183	–	1,206	47,143
Additions	–	127	29,673	1,065	–	3,916	154	34,935
Disposals	–	(288)	(9,308)	(863)	(333)	–	(305)	(11,097)
At 31 March 2004	2,397	456	57,395	3,912	1,850	3,916	1,055	70,981
Additions	–	340	11,179	331	–	4,870	963	17,683
Disposals	–	–	(11,232)	–	–	–	–	(11,232)
Reclassification	–	–	–	–	8,786	(8,786)	–	–
At 31 December 2004	2,397	796	57,342	4,243	10,636	–	2,018	77,432
DEPRECIATION AND AMORTISATION								
At 1 April 2001	384	514	22,849	1,470	1,752	–	437	27,406
Provided for the year	48	58	3,215	337	297	–	306	4,261
At 31 March 2002	432	572	26,064	1,807	2,049	–	743	31,667
Provided for the year	48	15	3,096	520	55	–	298	4,032
Eliminated on disposals	–	–	–	(389)	–	–	–	(389)
At 31 March 2003	480	587	29,160	1,938	2,104	–	1,041	35,310
Provided for the year	48	17	1,071	604	55	–	125	1,920
Eliminated on disposals	–	(277)	(7,253)	(863)	(333)	–	(292)	(9,018)
At 31 March 2004	528	327	22,978	1,679	1,826	–	874	28,212
Provided for the period	36	53	2,566	555	458	–	206	3,874
Eliminated on disposals	–	–	(11,232)	–	–	–	–	(11,232)
At 31 December 2004	564	380	14,312	2,234	2,284	–	1,080	20,854
NET BOOK VALUES								
At 31 December 2004	1,833	416	43,030	2,009	8,352	–	938	56,578
At 31 March 2004	1,869	129	34,417	2,233	24	3,916	181	42,769
At 31 March 2003	1,917	30	7,870	1,772	79	–	165	11,833
At 31 March 2002	1,965	20	6,507	549	134	–	360	9,535

The net book value of the land and buildings comprises:

	Yau Yue Group	
	As at 31 March 2004 HK\$'000	As at 31 December 2004 HK\$'000
Land and buildings in Hong Kong under medium-term leases	<u>1,869</u>	<u>1,833</u>

	Yau Yue			
	2002 HK\$'000	As at 31 March 2003 HK\$'000	2004 HK\$'000	As at 31 December 2004 HK\$'000
Land and buildings in Hong Kong under medium-term leases	<u>1,965</u>	<u>1,917</u>	<u>1,869</u>	<u>1,833</u>

The land and buildings of Yau Yue are situated in Hong Kong and are held on medium term leases.

At 31 December 2004, the net book value of plant and machinery of Yau Yue Group and Yau Yue includes an amount of approximately HK\$10,936,000 (31.3.2002: Nil; 31.3.2003: HK\$1,965,000; 31.3.2004: HK\$11,684,000) respectively in respect of plant and machinery held under finance leases.

12. INVESTMENT IN A SUBSIDIARY

	Yau Yue			
	2002 HK\$'000	As at 31 March 2003 HK\$'000	2004 HK\$'000	As at 31 December 2004 HK\$'000
Unlisted shares, at cost	<u>–</u>	<u>–</u>	<u>10</u>	<u>–</u>

13. INVENTORIES

	Yau Yue Group	
	As at 31 March 2004 HK\$'000	As at 31 December 2004 HK\$'000
Raw materials	25,182	31,120
Work in progress	1,297	2,029
Finished goods	1,626	1,903
	<u>28,105</u>	<u>35,052</u>

	Yau Yue			
	As at 31 March			As at
	2002	2003	2004	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2004 <i>HK\$'000</i>
Raw materials	5,940	14,317	25,182	31,120
Work in progress	–	388	1,297	2,029
Finished goods	–	96	1,626	1,903
	<u>5,940</u>	<u>14,801</u>	<u>28,105</u>	<u>35,052</u>

All inventories were stated at cost at 31 March 2002, 2003, 2004 and 31 December 2004.

14. TRADE RECEIVABLES

Yau Yue Group allows an average credit period of 30 days to 90 days to its trade customers.

The following is an aged analysis of trade receivables at the respective balance sheet dates:

	Yau Yue Group	
	As at	As at
	31 March	31 December
	2004 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0-30 days	39,939	39,335
31-60 days	7,363	12,079
61-90 days	3,964	5,800
Over 90 days	<u>2,406</u>	<u>1,854</u>
	<u>53,672</u>	<u>59,068</u>

	Yau Yue			
	As at 31 March			As at
	2002	2003	2004	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2004 <i>HK\$'000</i>
0-30 days	24,220	30,189	39,939	39,335
31-60 days	7,687	8,692	7,363	12,079
61-90 days	1,449	2,820	3,964	5,800
Over 90 days	<u>831</u>	<u>1,639</u>	<u>2,406</u>	<u>1,854</u>
	<u>34,187</u>	<u>43,340</u>	<u>53,672</u>	<u>59,068</u>

15. AMOUNT DUE FROM (TO) A DIRECTOR

Details of amounts due from directors are as follows:

Yau Yue Group

	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
Mr. Kwong Chi Kin	–	854
Mr. Kwong Chi Keung	806	–
	<u>806</u>	<u>854</u>
Maximum balance outstanding during the year/period	<u>806</u>	<u>854</u>

Yau Yue

	As at 31 March			As at 31 December
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Mr. Kwong Chi Kin	–	–	–	854
Mr. Kwong Chi Keung	–	–	806	–
	<u>–</u>	<u>–</u>	<u>806</u>	<u>854</u>
Maximum balance outstanding during the year/period	<u>–</u>	<u>–</u>	<u>806</u>	<u>854</u>

The amounts due from (to) directors are unsecured, non-interest bearing and are repayable on demand.

16. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the respective balance sheet dates:

	Yau Yue Group	
	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
0-30 days	7,453	5,998
31-60 days	1,219	771
61-90 days	–	8
Over 90 days	–	9
	<hr/>	<hr/>
Payable for purchase of property, plant and equipment	8,672	6,786
Other payables	8,145	7,303
	<hr/>	<hr/>
	4,638	5,791
	<hr/>	<hr/>
	21,455	19,880
	<hr/> <hr/>	<hr/> <hr/>

	Yau Yue			
	2002 <i>HK\$'000</i>	As at 31 March		As at 31 December 2004 <i>HK\$'000</i>
		2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	
0-30 days	5,624	6,937	7,453	5,998
31-60 days	1,298	2,057	1,219	771
61-90 days	8	88	–	8
Over 90 days	–	2	–	9
	<hr/>	<hr/>	<hr/>	<hr/>
Payable for purchase of property, plant and equipment	6,930	9,084	8,672	6,786
Other payables	–	296	8,145	7,303
	<hr/>	<hr/>	<hr/>	<hr/>
	4,405	2,773	4,638	5,791
	<hr/>	<hr/>	<hr/>	<hr/>
	11,335	12,153	21,455	19,880
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17. OBLIGATIONS UNDER FINANCE LEASES

	Yau Yue Group			
	Minimum lease payments		Present value of minimum lease payments	
	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	2,700	2,974	2,515	2,709
In the second to fifth year inclusive	7,718	5,755	7,182	5,526
	10,418	8,729	9,697	8,235
Less: Future finance charges	(721)	(494)	-	-
Present value of lease obligations	<u>9,697</u>	<u>8,235</u>	9,697	8,235
Less: Amount due within one year (shown under current liabilities)			(2,515)	(2,709)
Amount due after one year			<u>7,182</u>	<u>5,526</u>

	Yau Yue							
	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March		As at 31 December		As at 31 March		As at 31 December	
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amounts payable under finance leases:								
Within one year	123	560	2,700	2,974	115	489	2,515	2,709
In the second to fifth year inclusive	-	1,511	7,718	5,755	-	1,429	7,182	5,526
	123	2,071	10,418	8,729	115	1,918	9,697	8,235
Less: Future finance charges	(8)	(153)	(721)	(494)	-	-	-	-
Present value of lease obligations	<u>115</u>	<u>1,918</u>	<u>9,697</u>	<u>8,235</u>	115	1,918	9,697	8,235
Less: Amount due within one year (shown under current liabilities)					(115)	(489)	(2,515)	(2,709)
Amount due after one year					<u>-</u>	<u>1,429</u>	<u>7,182</u>	<u>5,526</u>

It is Yau Yue 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 years ended 31 March 2002, 2003 and 2004, and the nine months ended 31 December 2004, the average effective borrowing rate was 6.4%, 5.3%, 4.1% and 4.1%, respectively. 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.

Yau Yue Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

18. BANK BORROWINGS

	Yau Yue Group	
	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
Secured bank loans	15,297	17,471
Secured trust receipt loans	29,305	32,234
Other bank borrowings	435	331
	<u>45,037</u>	<u>50,036</u>
Bank borrowings are repayable as follows:		
Within one year	36,436	39,658
In the second year	4,812	6,449
In the third to fifth year	3,789	3,929
	<u>45,037</u>	<u>50,036</u>
Less: Amount due within one year (shown under current liabilities)	<u>(36,436)</u>	<u>(39,658)</u>
Amount due after one year	<u>8,601</u>	<u>10,378</u>

	Yau Yue			
	As at 31 March		As at	As at
	2002	2003	31 March	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	2004	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	
Secured bank loans	2,004	1,008	15,297	17,471
Secured trust receipt loans	11,342	16,509	29,305	32,234
Other bank borrowings	425	728	435	331
	<u>13,771</u>	<u>18,245</u>	<u>45,037</u>	<u>50,036</u>
Bank borrowings are repayable as follows:				
Within one year	12,603	17,783	36,436	39,658
In the second year	1,168	166	4,812	6,449
In the third to fifth year	–	296	3,789	3,929
	<u>13,771</u>	<u>18,245</u>	<u>45,037</u>	<u>50,036</u>
Less: Amount due within one year (shown under current liabilities)	<u>(12,603)</u>	<u>(17,783)</u>	<u>(36,436)</u>	<u>(39,658)</u>
Amount due after one year	<u>1,168</u>	<u>462</u>	<u>8,601</u>	<u>10,378</u>

19. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by Yau Yue Group and Yau Yue and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Yau Yue Group			
At 1 April 2003	536	–	536
Charge to income for the year	1,867	–	1,867
Effect of change in tax rate	50	–	50
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2004	2,453	–	2,453
Charge to income for the period	1,059	(29)	1,030
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2004	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>
Yau Yue			
At 1 April 2001	493	–	493
Credit to income for the year	(36)	–	(36)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2002	457	–	457
Charge to income for the year	79	–	79
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2003	536	–	536
Charge to income for the year	1,867	–	1,867
Effect of change in tax rate	50	–	50
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2004	2,453	–	2,453
Charge to income for the period	1,059	(29)	1,030
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2004	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

20. SHARE CAPITAL

Yau Yue

	As at 31 March 2002, 2003 & 2004 and 31 December 2004	
	Authorised <i>HK\$</i>	Issued and fully paid <i>HK\$</i>
Ordinary shares of HK\$1 each	<u> </u> <u> </u>	<u> </u> <u> </u>
	6,000,000	4,400,000

21. RESERVES

	Accumulated profits <i>HK\$'000</i>
Yau Yue	
At 1 April 2001	12,377
Profit for the year	12,106
Dividend	(5,280)
	<hr/>
At 31 March 2002	19,203
Profit for the year	22,820
Dividend	(10,120)
	<hr/>
At 31 March 2003	31,903
Profit for the year	31,237
Dividend	(20,240)
	<hr/>
At 31 March 2004	42,900
Profit for the period	10,682
	<hr/>
At 31 December 2004	53,582
	<hr/> <hr/>

22. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2003, Yau Yue 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\$2,107,000.

During the year ended 31 March 2004 and nine months ended 31 December 2004, Yau Yue Group and Yau Yue have 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\$8,413,000 (31.12.2004: HK\$490,000).

23. OPERATING LEASES

	<u>Yau Yue</u>		<u>Yau Yue Group</u>	
	Year ended 31 March		Year ended 31 March	Nine months ended 31 December
	2002	2003	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating leases during the year/period	1,821	1,819	1,474	3,175
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date, Yau Yue Group and Yau Yue had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Yau Yue Group			
	As at 31 March 2004		As at 31 December 2004	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Within one year	3,998		5,178	
In the second to fifth year inclusive	14,038		15,585	
Over five years	15,208		13,306	
	<u>33,244</u>		<u>34,069</u>	

	Yau Yue					
	As at 31 March 2002		As at 31 March 2004		As at 31 December 2004	
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Within one year	1,465	1,465	3,998	5,178		
In the second to fifth year inclusive	1,953	488	14,038	15,585		
Over five years	–	–	15,208	13,306		
	<u>3,418</u>	<u>1,953</u>	<u>33,244</u>	<u>34,069</u>		

Operating lease payment represent rentals payable by Yau Yue Group for certain of its office properties. Leases are negotiated and fixed for an average term of seven to nine years.

24. CAPITAL COMMITMENTS

	Yau Yue Group			
	As at 31 March 2004		As at 31 December 2004	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Capital expenditure in respect of the acquisition of plant and machinery contracted for but not provided in the financial statements	5,493		1,969	
	<u>5,493</u>		<u>1,969</u>	

	Yau Yue					
	As at 31 March 2002		As at 31 March 2004		As at 31 December 2004	
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Capital expenditure in respect of the acquisition of plant and machinery contracted for but not provided in the financial statements	–	15,475	5,493	1,969		
	<u>–</u>	<u>15,475</u>	<u>5,493</u>	<u>1,969</u>		

25. PLEDGE OF ASSETS

The following assets were pledged to banks to secure general banking facilities granted to Yau Yue Group and Yau Yue.

	<u>Yau Yue Group</u>	
	As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
	Property, plant and equipment	<u>1,869</u>

	<u>Yau Yue</u>			
	As at 31 March		As at 31 March 2004 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>		
Property, plant and equipment	<u>1,965</u>	<u>1,917</u>	<u>1,869</u>	<u>1,833</u>

The general banking facilities granted to Yau Yue Group are also secured by:

- (a) personal guarantee by directors of Yau Yue, Mr. Kwong Chi Kin, and Mr. Kwong Chi Keung amounted to approximately HK\$28,000,000 as at 31 March 2002 (31.3.2003: HK\$18,000,000; 31.3.2004: HK\$18,000,000; 31.12.2004: HK\$35,000,000);
- (b) funds on deposit owned by Mr. Kwong Chi Kin, Mr. Kwong Chi Keung, directors of Yau Yue, and Ms. Law Yuk Oi, wife of Mr. Kwong Chi Kin, of not less than approximately HK\$20,817,000 (31.3.2003: HK\$16,370,000; 31.3.2004: HK\$12,509,000; 31.12.2004: HK\$13,159,000).

26. RETIREMENT BENEFITS PLANS

Yau Yue 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 Yau Yue 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 rates specified in the rules. The only obligation of Yau Yue 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 Yau Yue 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 and are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits of the employees. The only obligation of Yau Yue Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

27. SEGMENTAL INFORMATION

Business segments and geographic segment

During the Relevant Periods, Yau Yue Group was solely engaged in the manufacture and trading of paper products, and over 90% of its turnover were sold to customers located in the PRC, accordingly, no analysis of Yau Yue Group's business segments and geographic segments are presented.

B. DISTRIBUTABLE RESERVES

Yau Yue had distributable reserve of HK\$53,582,000 at 31 December 2004 (31.3.2002: HK\$19,203,000; 31.3.2003: HK\$31,903,000; 31.3.2004: HK\$42,900,000).

C. DIRECTORS' REMUNERATION

Save as disclosed in this respect, no remuneration was paid or is payable by Yau Yue or any of its subsidiaries to Yau Yue's directors in respect of the Relevant Periods.

Details of the aggregate remuneration of Yau Yue's directors for the year ending 31 December 2005 under the arrangement presently in force are set out in the paragraph headed "Service contract" in Appendix IV to the Circular.

D. SUBSEQUENT EVENTS

Yau Yue Group had the following subsequent events:

- (1) Subsequent to 31 December 2004, a customer of Yau Yue was in financial difficulties and is in the process of applying liquidation. As at 31 December 2004, trade receivable balance of approximately HK\$706,000 with this customer has already been fully provided for. There is an additional bad debt expense of approximately HK\$1,200,000 subsequent to 31 December 2004 as a result of trading with this customer subsequent to the year end date.
- (2) Subsequent to 31 December 2004, Yau Yue disposed of 100% equity interest in Yau Ying Paper and its subsidiary, Yau Ying Shenzhen.

The following is a summary of the financial information of Yau Ying Paper and Yau Ying Shenzhen:

	Yau Ying Paper		Yau Ying Shenzhen	
	For the period from 20 August 2003 (date of incorporation) to 31 March 2004 <i>HK\$'000</i>	Nine months ended 31 December 2004 <i>HK\$'000</i>	For the period from 31 December 2003 (date of incorporation) to 31 March 2004 <i>HK\$'000</i>	Nine months ended 31 December 2004 <i>HK\$'000</i>
Turnover	—	—	—	—
Loss for the period	8	5	13	51

	Yau Ying Paper As at 31 December 2004 HK\$'000	Yau Ying Shenzhen As at 31 December 2004 HK\$'000
Financial position:		
Current assets	–	59
Current liabilities	(3)	(123)
Net liabilities	<u>(3)</u>	<u>(64)</u>

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Yau Yue Group, Yau Yue or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. FINANCIAL SUMMARY

Set out below (except for the notes) is a summary of (i) the audited consolidated profit and loss account and financial position of the Group for each of the three financial years ended 31 December 2002, 2003 and 2004 as extracted from the annual reports of the Company for the respective years; (ii) the unaudited consolidated profit and loss account of the Group for the three months ended 31 March 2005 together with the comparative figures for the corresponding period in the previous year, as extracted from the announcement of the quarterly results of the Company; and (iii) the audited profit and loss account and financial position of Yau Yue, a subsidiary of the Company acquired by the Group on 3 May 2005, and Yau Yue Group for each of the three financial years ended 31 March 2002, 2003 and 2004 and the nine months ended 31 December 2004, as extracted from the circular of the Company dated 29 April 2005.

(i) Audited consolidated profit and loss account of the Group

	Three years ended 31 December		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
Turnover	974,147	734,586	1,021,819
Cost of sales	<u>(748,024)</u>	<u>(573,076)</u>	<u>(789,815)</u>
Gross profit	226,123	161,510	232,004
Other operating income	8,439	4,235	3,091
Selling and distribution costs	(90,761)	(46,886)	(40,634)
Administrative expenses	(90,869)	(72,217)	(126,906)
Amortisation of goodwill arising from the acquisition of subsidiaries	(4,647)	–	–
Surplus (deficit) on revaluation of investment properties	7,525	960	(15,334)
Gain (loss) on disposal of property, plant and equipment	1,308	(268)	(3,965)
Loss on disposal of investment properties	–	(951)	–
Impairment loss recognised in respect of plant and machinery	–	(13,370)	–
Gain on disposal of discontinuing operation	–	–	25,506
Gain on disposal of interests in subsidiaries	<u>–</u>	<u>–</u>	<u>816</u>

	Three years ended 31 December		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
Profit from operations	57,118	33,013	74,578
Finance costs	(4,111)	(3,459)	(12,766)
Share of results of associates	5,240	4,849	3,526
Amortisation of goodwill arising from the acquisition of an associate	<u>(403)</u>	<u>(403)</u>	<u>(403)</u>
Profit before tax	57,844	34,000	64,935
Income tax expenses	<u>(7,079)</u>	<u>(11,220)</u>	<u>(16,171)</u>
Profit after tax	50,765	22,780	48,764
Minority interests	<u>(283)</u>	<u>(283)</u>	<u>(8,627)</u>
Net profit attributable to shareholders	<u>50,482</u>	<u>22,497</u>	<u>40,137</u>
Dividends			
Interim	8,055	8,055	8,055
Proposed final	<u>12,082</u>	<u>12,082</u>	<u>12,082</u>
	<u>20,137</u>	<u>20,137</u>	<u>20,137</u>
Earnings per share			
Basic	<u>HK12.54 cents</u>	<u>HK5.59 cents</u>	<u>HK9.97 cents</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

- An interim dividend per Share for the six months ended 30 June 2004 of HK2 cents (2003: HK2 cents; 2002: HK2 cents) was paid. The proposed dividend per Share for the year ended 31 December 2004 is HK3 cents (2003: HK3 cents; 2002: HK3 cents).
- Save as disclosed above, there is no other extraordinary item or exceptional item of the Group for the three years ended 31 December 2002, 2003 and 2004.

Audited consolidated assets and liabilities of the Group

	As at 31 December		
	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,743,709	1,094,397	1,133,083
Less: Total liabilities	(986,186)	(370,266)	(409,972)
Less: Minority interests	(2,655)	(2,410)	(3,545)
	<u>754,868</u>	<u>721,721</u>	<u>719,566</u>
Net assets	<u>754,868</u>	<u>721,721</u>	<u>719,566</u>

(ii) Unaudited consolidated profit and loss account of the Group

	Three months ended	
	31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	286,374	190,615
Cost of sales	(224,629)	(148,628)
Gross profit	61,745	41,987
Other operating income	843	786
Selling and distribution costs	(27,575)	(14,848)
Administrative expenses	(21,961)	(19,466)
Profit from operations	13,052	8,459
Finance costs	(2,524)	(434)
Share of results of associates	1,298	1,307
Amortisation of goodwill arising from the acquisition of an associate	–	(101)
Profit before tax	11,826	9,231
Income tax expenses	(2,579)	(1,988)
Profit after tax	9,247	7,243
Minority interests	(71)	(71)
Net profit attributable to shareholders	<u>9,176</u>	<u>7,172</u>
Basic earnings per share	<u>HK2.28 cents</u>	<u>HK1.78 cents</u>

(iii) Audited profit and loss account of Yau Yue and Yau Yue Group

	Yau Yue		Yau Yue Group	
	Year ended		Year ended	
	31 March		31 March 31 December	
	2002	2003	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	177,888	227,278	261,855	219,456
Cost of sales	<u>(148,203)</u>	<u>(182,703)</u>	<u>(210,923)</u>	<u>(190,554)</u>
Gross profit	29,685	44,575	50,932	28,902
Other operating income	–	135	229	99
Selling and distribution costs	(9,525)	(12,168)	(7,822)	(7,666)
Administrative expenses	<u>(5,723)</u>	<u>(6,359)</u>	<u>(7,588)</u>	<u>(7,880)</u>
Profit from operations	14,437	26,183	35,751	13,455
Finance costs	<u>(1,316)</u>	<u>(1,287)</u>	<u>(1,432)</u>	<u>(1,838)</u>
Profit before taxation	13,121	24,896	34,319	11,617
Taxation	<u>(1,015)</u>	<u>(2,076)</u>	<u>(3,104)</u>	<u>(980)</u>
Net profit for the year/period	<u>12,106</u>	<u>22,820</u>	<u>31,215</u>	<u>10,637</u>
Dividends	<u>5,280</u>	<u>10,120</u>	<u>20,240</u>	<u>–</u>
Earnings per share – basic	<u>HK\$2.75</u>	<u>HK\$5.19</u>	<u>HK\$7.09</u>	<u>HK\$2.42</u>

Note: As Yau Yue has no subsidiaries for the years ended 31 March 2002 and 31 March 2003, no consolidated income statements for the years ended 31 March 2002 and 31 March 2003 have therefore been presented.

Audited assets and liabilities of Yau Yue and consolidated assets and liabilities of Yau Yue Group

	Yau Yue				Yau Yue Group	
	As at 31 March		As at 31 December		As at 31 March	As at 31 December
	2002	2003	2004	2004	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	53,738	82,322	146,896	160,538	146,890	160,597
Less: Total liabilities	(30,135)	(46,019)	(99,596)	(102,556)	(99,612)	(102,682)
Net assets	<u>23,603</u>	<u>36,303</u>	<u>47,300</u>	<u>57,982</u>	<u>47,278</u>	<u>57,915</u>

2. STATEMENT OF UNAUDITED PRO FORMA ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Set out below are (i) the report of the auditors on the statement of unaudited pro forma assets and liabilities of the Enlarged Group; and (ii) the statement of unaudited pro forma assets and liabilities of the Enlarged Group as at 31 December 2004, as extracted from the circular of the Company dated 29 April 2005 and without taking into account of the effect of the Rights Issue, and references to page numbers are made to page numbers set out thereof.

(i) Report on the statement of unaudited pro forma assets and liabilities of the Enlarged Group

Deloitte.
德勤

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111 Connaught Road Central
Hong Kong

29 April 2005

The Directors
SNP Leefung Holdings Limited
Tai Fook Capital Limited

Dear Sirs,

We report on the pro forma statement of assets and liabilities (the “Pro Forma Assets and Liabilities Statement”) of SNP Leefung Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “SNP Group”) and Yau Yue Paper Products Limited (“Yau Yue”) and its subsidiaries (“Yau Yue Group”, and together with the SNP Group hereinafter referred to as the “Enlarged Group”) set out in Appendix III of the circular dated 29 April 2005 (the “Circular”) in connection with the major transactions in relation to the proposed acquisition of 60% equity interest in Yau Yue (the “Acquisition”), which has been prepared by the directors of the Company (the “Directors”), as if the Acquisition had been completed as at 31 December 2004, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

RESPONSIBILITIES

It is the responsibility solely of the Directors to prepare the Pro Forma Assets and Liabilities Statement in accordance with paragraph 29 of Chapter 4 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 paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Assets and Liabilities Statement 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 Pro Forma Assets and Liabilities Statement 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 with reference to 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 where applicable. 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 Pro Forma Assets and Liabilities Statement with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the Pro Forma Assets and Liabilities Statement.

The Pro Forma Assets and Liabilities Statement has been prepared on the basis set out in the first paragraph of this letter for illustrative purposes only and because of its nature, it may not give an indicative financial position of the Enlarged Group as at 31 December 2004 or any future date.

Opinion

In our opinion:

- (a) the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis as stated;
- (b) such basis is consistent with the accounting policies of the SNP Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Statement of unaudited pro forma assets and liabilities of the Enlarged Group

Set out below is the unaudited Pro Forma Assets and Liabilities Statement of the Enlarged Group as if the Acquisition was completed as at 31 December 2004. The Pro Forma Assets and Liabilities Statement has been prepared based on the published audited consolidated balance sheet of the SNP Group as at 31 December 2004 and the consolidated balance sheet of Yau Yue Group as at 31 December 2004, as shown in the accountants' report of Yau Yue Group which set out in Appendix I to the Circular, and after making certain pro forma adjustments as set out below.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. SNP Group and Yau Yue Group have not early adopted these new HKFRSs in their respective financial statements for the year ended 31 December 2004.

SNP Group and Yau Yue Group have commenced considering the potential impact of these new HKFRSs but are not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

	SNP Group HK\$'000	Yau Yue Group HK\$'000	Total HK\$'000	Proforma adjustments HK\$'000	Notes	Proforma balance HK\$'000
Non-current assets						
Property, plant and equipment	679,490	56,578	736,068	–		736,068
Goodwill	134,602	–	134,602	33,651	1	168,253
Interests in associates	82,877	–	82,877	–		82,877
Deposit paid for property, plant and equipment	–	496	496	–		496
	<u>896,969</u>	<u>57,074</u>	<u>954,043</u>	<u>33,651</u>		<u>987,694</u>
Current assets						
Inventories	207,373	35,052	242,425	–		242,425
Trade receivables	417,282	59,068	476,350	–		476,350
Prepayments, deposits and other receivables	61,338	303	61,641	–		61,641
Other investments	622	–	622	–		622
Amount due from a director of Yau Yue	–	854	854	(854)	4	–
Tax recoverable	8,313	1,023	9,336	–		9,336
Bank balances and cash	151,812	7,223	159,035	(68,400)	3	79,219
				(11,416)	4	
	<u>846,740</u>	<u>103,523</u>	<u>950,263</u>	<u>(80,670)</u>		<u>869,593</u>
Current liabilities						
Trade and bills payables	147,176	6,786	153,962	–		153,962
Other payables and accruals	129,542	13,094	142,636	–		142,636
Amount due to a director of Yau Yue	–	126	126	(126)	4	–
Tax liabilities	15,410	–	15,410	–		15,410
Amount due to SNP Group	1,971	–	1,971	–		1,971
Amounts due to associates	13,862	–	13,862	–		13,862
Dividend payable/Amounts due to minority shareholders	–	20,240	20,240	(12,144)	4	8,096
Obligations under finance leases – due within one year	1,333	2,709	4,042	–		4,042
Bank borrowings – due within one year	158,881	39,658	198,539	–		198,539
	<u>468,175</u>	<u>82,613</u>	<u>550,788</u>	<u>(12,270)</u>		<u>538,518</u>
Net current assets	<u>378,565</u>	<u>20,910</u>	<u>399,475</u>	<u>(68,400)</u>		<u>331,075</u>
Total assets less current liabilities	<u>1,275,534</u>	<u>77,984</u>	<u>1,353,518</u>	<u>(34,749)</u>		<u>1,318,769</u>

	SNP Group HK\$'000	Yau Yue Group HK\$'000	Total HK\$'000	Proforma adjustments HK\$'000	Note	Proforma balance HK\$'000
Non-current liabilities						
Bank borrowings – due after one year	500,000	10,378	510,378	–		510,378
Obligations under finance leases						
– due after one year	1,290	5,526	6,816	–		6,816
Deferred tax liabilities	16,721	3,483	20,204	–		20,204
Retirement benefit obligations	–	682	682	–		682
	<u>518,011</u>	<u>20,069</u>	<u>538,080</u>	<u>–</u>		<u>538,080</u>
Minority interests	<u>2,655</u>	<u>–</u>	<u>2,655</u>	<u>23,166</u>	2	<u>25,821</u>
Net Assets	<u>754,868</u>	<u>57,915</u>	<u>812,783</u>	<u>(57,915)</u>		<u>754,868</u>

This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture for the financial position of the Enlarged Group.

Pro Forma adjustments are set out below:

1. The adjustment reflects the difference between the cash consideration of HK\$68,400,000 for the acquisition of 60% equity interest in Yau Yue Group and the carrying amount of its net assets of HK\$34,749,000 as at 31 December 2004 attributable to the 60% equity interest in Yau Yue Group to be acquired, as shown in the Accountants' Report of Yau Yue Group set out in Appendix I to the Circular. For the purpose of calculating the amount of goodwill arising on the Acquisition, the carrying amount of net assets of Yau Yue Group as at 31 December 2004 is assumed to be the fair value of the identifiable assets and liabilities of Yau Yue Group at the date of completion.
2. The adjustment reflects the 40% minority interests in Yau Yue Group of HK\$23,166,000.
3. The adjustment reflects the total cash consideration of HK\$68,400,000 for the Acquisition which will be paid by the Company upon the completion.
4. The adjustment reflects the payment of 60% of dividend payable amounting to HK\$12,144,000 adjusting for any amounts due from and due to the vendors of Yau Yue amounting to HK\$854,000 and HK\$126,000 respectively, upon the completion of the Acquisition in accordance with acquisition agreement dated 18 March 2005.

3. UNAUDITED PRO FORMA PROFITS AND LOSSES STATEMENT OF THE ENLARGED GROUP

Set out below are (i) the report of the auditors on the unaudited pro forma profits and losses statement of the Enlarged Group; and (ii) the unaudited pro forma profits and losses statement of the Enlarged Group for the twelve months ended 31 December 2004 without taking into account of the effect of the Rights Issue.

(i) Report on the unaudited pro forma profits and losses statement of the Enlarged Group

Deloitte.

德勤

23 June 2005

The Directors

SNP Leefung Holdings Limited

Tai Fook Capital Limited

Dear Sirs,

We report on the pro forma statement of profits and losses (the “Pro Forma Profits and Losses Statement”) of SNP Leefung Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “SNP Group”) and Yau Yue Paper Products Limited (“Yau Yue”) and its subsidiaries (“Yau Yue Group”, and together with the SNP Group hereinafter referred to as the “Enlarged Group”) set out in Appendix III of the prospectus dated 23 June 2005 in connection with the major transaction in relation to the acquisition of 60% equity interest in Yau Yue (the “Acquisition”), which has been prepared by the directors of the Company (the “Directors”), as if the Acquisition had been completed as at 1 January 2004, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors to prepare the Pro Forma Profits and Losses Statement in accordance with paragraph 29 of Chapter 4 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 paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Profits and Losses Statement 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 Pro Forma Profits and Losses Statement 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 with reference to 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, where applicable. 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 Pro Forma Profits and Losses Statement with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the Pro Forma Profits and Losses Statement.

The Pro Forma Profits and Losses Statement has been prepared on the basis set out in the first paragraph of this letter for illustrative purposes only and because of its nature, it may not give an indicative financial results of the Enlarged Group had the Acquisition actually occurred at the start of the year ended 31 December 2004 or any other future period.

Opinion

In our opinion:

- (a) the Pro Forma Profits and Losses Statement has been properly compiled on the basis as stated;
- (b) such basis is consistent with the accounting policies of the SNP Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Profits and Losses Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Unaudited pro forma profits and losses statement of the Enlarged Group

Set out below is the unaudited Pro Forma Profits and Losses Statement of the Enlarged Group as if the Acquisition was completed as at 1 January 2004. The Pro Forma Profits and Losses Statement has been prepared based on the published audited consolidated income statement of the SNP Group for the twelve months ended 31 December 2004 and the consolidated income statement of Yau Yue Group for the twelve months ended 31 December 2004, as extracted from the management accounts of Yau Yue Group which have been prepared and approved by management of Yau Yue, and after making certain pro forma adjustments as set out below.

	SNP Group HK\$'000	Yau Yue Group HK\$'000	Total HK\$'000	Proforma adjustments HK\$'000	Notes	Proforma balance HK\$'000
Turnover	974,147	283,202	1,257,349	–		1,257,349
Cost of sales	(748,024)	(242,815)	(990,839)	–		(990,839)
Gross profit	226,123	40,387	266,510	–		266,510
Other operating income	8,439	135	8,574	–		8,574
Selling and distribution costs	(90,761)	(9,621)	(100,382)	–		(100,382)
Administrative expenses	(90,869)	(10,090)	(100,959)	–		(100,959)
Amortisation of goodwill arising from the acquisition of subsidiaries	(4,647)	–	(4,647)	(3,365)	1	(8,012)
Surplus on revaluation of investment properties	7,525	–	7,525	–		7,525
Gain on disposal of property, plant and equipment	1,308	–	1,308	–		1,308
Profit for operations	57,118	20,811	77,929	(3,365)		74,564
Finance costs	(4,111)	(2,222)	(6,333)	–		(6,333)
Share of results of associates	5,240	–	5,240	–		5,240
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	(403)	–		(403)
Profit before tax	57,844	18,589	76,433	(3,365)		73,068
Income tax expenses	(7,079)	(1,485)	(8,564)	–		(8,564)
Profit after tax	50,765	17,104	67,869	(3,365)		64,504
Minority interests	(283)	–	(283)	(6,842)	2	(7,125)
Net profit attributable to shareholders	<u>50,482</u>	<u>17,104</u>	<u>67,586</u>	<u>(10,207)</u>		<u>57,379</u>
Dividends						
Interim	8,055	–	8,055	–		8,055
Proposed final	12,082	–	12,082	–		12,082
	<u>20,137</u>	<u>–</u>	<u>20,137</u>	<u>–</u>		<u>20,137</u>

This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture for the financial performance of the Enlarged Group.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. SNP Group and Yau Yue Group have not early adopted these new HKFRSs in their respective financial statements for the year ended 31 December 2004. SNP Group and Yau Yue Group have commenced considering the potential impact of these new HKFRSs but are not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented. This statement has been prepared in accordance with the accounting policies adopted by SNP Group for the preparation of its financial statements for the year ended 31 December 2004.

Pro Forma adjustments are set out below:

1. To record the amortisation of goodwill of HK\$33,651,000 arising on the acquisition of Yau Yue Group on a straight line basis over its useful economic life of 10 years. SNP shall apply HKFRS 3, “Business Combination”, to the accounting for the business combinations for which the agreement date is on or after 1 January 2005. HKFRS 3 prohibits the amortisation of goodwill and requires carrying goodwill arising from a business combination at cost less any accumulated impairment losses.
2. To record the minority share of Yau Yue Group’s profit of HK\$17,104,000 as the Company only acquires an effective interest of 60% of the voting share capital in Yau Yue Group.

4. STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

Set out below are (i) the report of the auditors on the statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group; and (ii) the statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group as at 31 December 2004 after taking into account of the effect of the Rights Issue.

(i) **Report on the statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group**

Deloitte.
德勤

23 June 2005
The Directors
SNP Leefung Holdings Limited
Tai Fook Capital Limited

Dear Sirs,

We report on the pro forma statement of consolidated net tangible assets (the “Pro Forma Consolidated Net Tangible Assets Statement”) of SNP Leefung Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “SNP Group”) and Yau Yue Paper Products Limited (“Yau Yue”) and its subsidiaries (“Yau Yue Group”, and together with the SNP Group hereinafter referred to as the “Enlarged Group”) set out in Appendix III of the prospectus dated 23 June 2005 in connection with the proposed rights issue of 100,681,729 rights shares at HK\$1.20 each on the basis of one rights share for every four existing shares of the Company (the “Rights Issue”), as if the acquisition of Yau Yue and the Rights Issue had been completed as at 31 December 2004, for illustrative purposes only, to provide information about how the acquisition of Yau Yue and the Rights Issue might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors to prepare the Pro Forma Consolidated Net Tangible Assets Statement in accordance with paragraph 29 of Chapter 4 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 paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Consolidated Net Tangible Assets Statement 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 Pro Forma Consolidated Net Tangible Assets Statement 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 with reference to 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, where applicable. 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 Pro Forma Consolidated Net Tangible Assets Statement with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the Pro Forma Consolidated Net Tangible Assets Statement.

The Pro Forma Consolidated Net Tangible Assets Statement has been prepared on the basis set out in the first paragraph of this letter for illustrative purposes only and because of its nature, it may not give an indicative financial position of the Enlarged Group as at 31 December 2004 or any future date.

Opinion

In our opinion:

- (a) the Pro Forma Consolidated Net Tangible Assets Statement has been properly compiled on the basis as stated;
- (b) such basis is consistent with the accounting policies of the SNP Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Consolidated Net Tangible Assets Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group

For illustrative purposes only, the following statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group has been prepared to illustrate the effect of the acquisition of Yau Yue completed on 3 May 2005 and the Rights Issue on the consolidated net tangible assets of the Enlarged Group as at 31 December 2004 as if it had taken place on 31 December 2004. This statement of unaudited pro forma consolidated net tangible assets has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the acquisition of Yau Yue completed on 3 May 2005 and the Rights Issue.

The following statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group is prepared based on the published audited annual report of the Group for the year ended 31 December 2004 as shown in the “Audited financial statements for the financial year ended 31 December 2004” as set out in Appendix I and adjusted for the effect of the acquisition of Yau Yue completed on 3 May 2005 and the Rights Issue.

Proforma consolidated net tangible assets of the Enlarged Group as at 31 December 2004	Estimated net proceeds from the Rights Issue	Unaudited pro forma consolidated net tangible assets of the Enlarged Group	Unaudited pro forma consolidated net tangible assets per Share
<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>

Based on the

Subscription Price of

HK\$1.20 per Rights

Share

<u>586,145</u>	<u>118,818</u>	<u>704,963</u>	<u>1.40</u>
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Notes:

1. The pro forma consolidated net tangible assets of the Enlarged Group as at 31 December 2004 is arrived at after deducting the unamortized goodwill arising on acquisition of subsidiaries and associates of HK\$168,253,000 and HK\$470,000, respectively at 31 December 2004 from the net assets value of HK\$754,868,000 of the Enlarged Group as extracted from the Company's Circular dated 29 April 2005.
2. The estimated net proceeds from the issue of the Rights Shares are based on the Subscription Price of HK\$1.20 per Rights Share after deducting the related expenses of approximately HK\$2 million.
3. The unaudited pro forma consolidated net tangible assets per Share is arrived at after the adjustment referred to in the preceding paragraph and on the basis that 402,726,918 Shares in issue and 100,681,729 Rights Shares to be issued pursuant to the Rights Issue.

5. MATERIAL CHANGE

Save for the acquisition of Yau Yue which was completed on 3 May 2005, the Directors confirm there are no material changes in the financial or trading position or prospects of the Group since 31 December 2004, the date to which the latest audited consolidated financial statements of the Group were made up.

6. INDEBTEDNESS

At the close of business on 31 May 2005, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, the Group had total outstanding borrowings of approximately HK\$793 million. The borrowings comprised of unsecured trust receipts loans of approximately HK\$20 million, secured trust receipts loans of approximately HK\$25 million, unsecured bank loans of approximately HK\$730 million, secured bank loans of approximately HK\$9 million and obligations under finance leases of approximately HK\$9 million.

As at 31 May 2005, the Group had pledged certain land and buildings with aggregate net book value of approximately HK\$2 million to banks to secure the bank loans and trust receipts loans of approximately HK\$9 million and approximately HK\$25 million respectively mentioned above.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts, or other similar indebtedness, hire purchase commitments or finance lease, liabilities under acceptances or acceptance credits, or any guarantees or other material contingent liabilities outstanding at the close of business on 31 May 2005.

7. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that after taking into account the existing banking facilities available, the existing cash and bank balances and the estimated net proceeds from the Rights Issue, the Group has available sufficient working capital for its present requirements.

8. MANAGEMENT DISCUSSION AND ANALYSIS**(a) Business and financial review**

In September 2004, the Company acquired from its holding company, SNP, the entire issued share capital of Excel (HK) and an equivalent of approximately 99.95% of issued voting share capital of Excel (Thai) for a total consideration of approximately HK\$409 million. Both Excel (HK) and Excel (Thai) are engaged in the production of pop-up and touch-and-feel books. Excel (HK) and Excel (Thai) in total contributed a net income of HK\$12.1 million for the period post acquisition till the year end date before the amortization of goodwill and interest costs.

During 2004, the Group was able to attain sound operating and financial results under a very competitive market environment. The Group recorded a turnover of HK\$974 million, up from HK\$735 million, representing an increase of HK\$239 million, approximately 33% over last year. The reason for the increase was attributed to the inclusion of the turnover contributed from the pop-up business which amounted to approximately HK\$187 million. The Group's core printing businesses continue to provide positive contributions in terms of operating profits and cashflows, the net operating profit before capital items amounted to HK\$48 million as compared to HK\$36 million for the year of 2003.

Despite the increasing paper prices early this year, the Group was able to maintain our gross profit margin at 23%, which was comparable with that of last year. Cost savings were achieved through effective reduction in overheads expenses. The Group continues to strive for stringent cost control, low bad debt level and the enhancement of cost efficiency across the Group.

Finance costs has increased slightly from HK\$3.5 million to HK\$4.1 million despite the additional interest costs incurred for the additional loans drawn for the acquisition of Excel (HK) and Excel (Thai). This resulted from the reduction in interest rates during the first half of the year together with the improvement in treasury management activities.

China division

The Group is focusing on providing high-quality magazines and hardcover books. As the Group's sales volume has almost utilized its full production capacity, its sales level remained at approximately HK\$352 million for the year. The Group had already acquired new machineries to increase our capacity in end 2004. With our continuous proactive marketing efforts, the Directors expect that the Group's PRC sales will grow in 2005.

Export division

The turnover has increased by 6% over the year. In 2004, the Group has restructured our overseas sales team which will become fully functional in 2005. Further, the Group will benefit from the integration with the SNP Excel companies by having better opportunities in cross selling to existing customers.

Packaging division

The loss incurred for this division has reduced significantly by 41% as a result of the effectiveness of the new management team in increasing the sales volume and implementing cost control measures. The Directors are optimistic that the division may turnaround in 2005.

On 18 March 2005, the Company entered into an acquisition agreement pursuant to which the shareholders of Yau Yue conditionally agreed to sell and the Company conditionally agreed to purchase 60% of the issued share capital of Yau Yue for an aggregate cash consideration of HK\$68.4 million. The transaction was completed on 3 May 2005.

With the successful acquisition of Yau Yue, the Group is able to immediately gear up its existing packaging business from a start-up stage to a growth stage and the enlarged packaging business is expected to contribute about one-fourth of the Group's annual turnover. Yau Yue's business knowledge and experience in corrugated business will help turnaround the Group's current loss-making corrugated business. Further costs synergies will be achieved upon full integration of the Group's existing packaging business and Yau Yue.

Pop-up division

Upon the acquisition of Excel (HK) and Excel (Thai), the Pop-up Division has contributed a total revenue of HK\$187 million and a net income of HK\$12.1 million in 2004. Other than benefitting from the synergistic opportunities in the areas of marketing and production, the profitability of the Group is expected to improve upon the diversification of its product offerings into pop-up books business.

Capital investments

During 2004, the Group has invested approximately HK\$60.4 million in upgrading our existing facilities and increasing our production capacities. This indicates the Group's determination in reinforcing our production capability and commitment to offer high-quality services. It is contemplated that further investments in advanced printing machines will be made in coming years in order to ensure our prompt responsiveness to the increasing demands from the valuable customers. The Directors are confident that the Group is well-equipped to consolidate our position as one of the leading printers in the printing industry.

(b) Liquidity and financial resources

As at 31 December 2004, the Group's cash and bank balances amounted to HK\$152 million, increased from HK\$81 million in prior year, while the total assets and the net assets were approximately HK\$1,743.7 million and HK\$754.9 million respectively.

The current ratio at year end decreased slightly from 2.04 to 1.81 and the total bank borrowings had increased by HK\$486.9 million, including the term loan borrowing for the acquisition of Excel (HK) and Excel (Thai). The net gearing ratio based on total borrowings less cash and bank balances to equity has increased from 13% to 67% as at year end as a result of the increase in bank borrowing from financing the acquisition of Excel (HK) and Excel (Thai). In view of the Group's ability to generate cash from its operations, together with approximately HK\$603 million unutilised bank facilities at the balance sheet date, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

(c) Foreign exchange

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 97% of the total borrowings at the year end date, was in Hong Kong dollars while the remaining balance was in other currencies.

The Group's borrowings are principally on the floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps are used in managing the interest rate exposure.

(d) Number of employees and remuneration policy

At the end of 2004, the Group employed a total of approximately 200 employees in Hong Kong and a workforce of approximately 8,000 in the PRC and Thailand.

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, contribution to staff's provident fund, share options and discretionary training subsidies.

Discretionary bonuses are also available to employees of the Group depending upon the financial performance of the Group.

9. FINANCIAL AND TRADING PROSPECTS

Following the acquisition of the new business lines in pop-up books printing, the Group continue to reinforce its prime focus on the development of the core printing business. With the full integration with the Excel companies, the Directors are optimistic that the Group will further benefit from the marketing, production and purchasing synergies arising from the integration.

The performance of the Group's packaging products printing business improved in 2004, with the loss reduced significantly by approximately 41.2% as compared to 2003, as a result of the effectiveness of the new management team in increasing the sales volume and implementing cost control measures. The Directors consider that the acquisition of Yau Yue will enable the Group to enhance its operating efficiency arising from economy of scale and leverage on the brand name of Yau Yue in the corrugated paper industry.

The Directors will continue to identify value-enhancing business opportunities and explore possibilities of vertical or horizontal integration within the Group to strengthen the Group's position in the industry and bring better return to the Shareholders.

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this prospectus and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this prospectus have been arrived at after due and careful consideration and there are no other facts not contained in this prospectus, the omission of which would make any statement in this prospectus misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue will be, as follows:

<i>Authorised:</i>		<i>HK\$</i>
500,000,000	Shares	50,000,000
500,000,000	Proposed increase in authorised capital <i>(Note)</i>	50,000,000
<u>1,000,000,000</u>		<u>100,000,000</u>

Issued and to be issued as fully paid:

402,726,918	Shares as at the Latest Practicable Date	40,272,692
100,681,729	Rights Shares to be issued pursuant to the Rights Issue	10,068,173
<u>503,408,647</u>		<u>50,340,865</u>

Note:

At the Special General Meeting, the Shareholders approved the increase in the authorised share capital of the Company from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 Shares.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares. Save as disclosed in the “Letter from the Board” in this prospectus in respect of the Rights Shares, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital since 31 December 2004 (the date to which the latest audited consolidated financial statements of the Company were made up). The Company had no debt securities in issue as at the Latest Practicable Date.

(b) Share Options

(i) Share Option Scheme and share award schemes

Share Option Scheme

With effect from 28 August 2003, the Company has adopted the Share Option Scheme.

Details of outstanding Share Options as at the Latest Practicable Date were as follows:

Participant	Date of grant	Exercise price HK\$	Number of Share Options as at the Latest Practicable Date
A Director, Yeo Chee Tong	9 October 2003	1.45	450,000
	25 November 2004	1.05	225,000
	12 April 2005	1.63	225,000
Employees	9 October 2003	1.45	930,000
	25 November 2004	1.05	707,500
	12 April 2005	1.63	747,500
			3,285,000

The consideration for each grant of options of the Company to a grantee is HK\$1.00. The options granted may be exercised in accordance with the terms of the Share Option 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 after ten years from the date of grant.

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 had been made.

(ii) *SNP Share Option Plan and SNP Performance Share Plan*

SNP 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.

SNP Share Option Plan

The following table discloses details of the SNP share options held by the Directors as at the Latest Practicable Date:

Name of director	Number of share options outstanding at the Latest Practicable Date
Mr. Peter, Yang Sze Chen	36,000
Mr. Yeo Chee Tong	610,000
Mr. Tay Siew Choon	267,000
Mr. Edmund, Cheng Wai Wing	135,000
Mr. John Robert Walter	195,000
	1,243,000
	1,243,000

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 Group. Awards of performance shares, which are released to recipients free of payment, are granted conditional on performance targets based on medium-term corporate objectives.

As at the Latest Practicable Date, the number of outstanding performance shares of SNP conditionally awarded to Mr. Yeo Chee Tong, a Director, was 700,000. Such award number is assumed to represent a 100% achievement of the targets set. If the executive exceeds the targets set by a higher margin, he could be eligible for up to twice the number of performance shares stated in the conditional awards. On the other hand, if the target achievement is below the threshold level (<80%), he will not receive any performance shares.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(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 as at the Latest Practicable Date
Mr. Yang Sze	Beneficial owner	900,000	0.22%
Chen, Peter	Held by controlled corporation (<i>Note</i>)	16,514,867	4.10%
		<u>17,414,867</u>	<u>4.32%</u>

Note: These shares were held through Team Long Development Limited, a company that was wholly owned by Mr. Yang Sze Chen, Peter.

(b) Share options of the Company

Name of director	Capacity	Date of grant	Number of share options held	Number of underlying shares
Mr. Yeo Chee Tong	Beneficial owner	9 October 2003	450,000	450,000
		25 November 2004	225,000	225,000
		12 April 2005	225,000	225,000
			900,000	900,000

The options granted may be exercised in accordance with the terms of the relevant scheme as to:

- (i) 25% of the options will be exercisable after 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 after ten years from the date of grant.

(2) Long positions in shares and underlying shares of the associated corporation of the Company, SNP

(a) Ordinary shares of S\$0.50 each of SNP

Name of director	Capacity	Number of shares held	Percentage of issued share capital as at the Latest Practicable Date
Mr. Yeo Chee Tong	Beneficial owner	1,086,553	0.93%
	Held by spouse	111,500	0.10%
		1,198,053	1.03%
Mr. Cheng Wai Wing, Edmund	Beneficial owner	35,000	0.03%
		1,233,053	1.06%

(b) Share options of SNP

Name of director	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Mr. Yang Sze Chen, Peter	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	0.83	21 October 2005 to 20 October 2014
		5,000	5,000	0.83	21 October 2006 to 20 October 2014
		5,000	5,000	0.83	21 October 2007 to 20 October 2014
		5,000	5,000	0.83	21 October 2008 to 20 October 2014
		2,750	2,750	0.90	19 April 2006 to 18 April 2015
		2,750	2,750	0.90	19 April 2007 to 18 April 2015
		2,750	2,750	0.90	19 April 2008 to 18 April 2015
		2,750	2,750	0.90	19 April 2009 to 18 April 2015
		<u>36,000</u>	<u>36,000</u>		

Name of director	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Mr. 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 2006 to 16 April 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		

Name of director	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Mr. Yeo Chee Tong	Beneficial owner	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
		20,000	20,000	0.83	21 October 2005 to 20 October 2014
		20,000	20,000	0.83	21 October 2006 to 20 October 2014
		20,000	20,000	0.83	21 October 2007 to 20 October 2014
		20,000	20,000	0.83	21 October 2008 to 20 October 2014
		37,500	37,500	0.90	19 April 2006 to 18 April 2015
		37,500	37,500	0.90	19 April 2007 to 18 April 2015
		37,500	37,500	0.90	19 April 2008 to 18 April 2015
		37,500	37,500	0.90	19 April 2009 to 18 April 2015
		<u>610,000</u>	<u>610,000</u>		

Name of director	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
Mr. 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	0.69	17 April 2003 to 16 April 2007
		50,000	50,000	0.59	15 April 2004 to 14 April 2008
		70,000	70,000	1.19	21 April 2005 to 20 April 2009
		77,000	77,000	0.90	19 April 2006 to 18 April 2010
		<u>267,000</u>	<u>267,000</u>		
Mr. Cheng Wai Wing, Edmund	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
		55,000	55,000	0.90	19 April 2006 to 18 April 2010
		<u>135,000</u>	<u>135,000</u>		
Mr. 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
		55,000	55,000	0.90	19 April 2006 to 18 April 2010
		<u>195,000</u>	<u>195,000</u>		
		<u>1,243,000</u>	<u>1,243,000</u>		

(3) *Long positions in shares and underlying shares of other associated corporations of the Company*

(a) Shares

Name of director and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital as at the Latest Practicable Date
(i) Interest in Singapore Technologies Engineering Ltd			
Ordinary shares of S\$0.10 each			
Mr. Yeo Chee Tong	Beneficial owner	2,568	0.00%
(ii) Interest in CapitaLand Limited			
Ordinary share of S\$1.00 each			
Mr. Tay Siew Choon	Beneficial owner	850	0.00%
(iii) Interest in Raffles Holdings Limited			
Ordinary shares of S\$0.50 each			
Mr. Tay Siew Choon	Beneficial owner	10,000	0.00%
(iv) Interest in Vertex Investment (II) Ltd			
Ordinary shares of US\$1.00 each			
Mr. Tay Siew Choon	Beneficial owner	2	0.03%
(v) Interest in Vertex Technology Fund Ltd			
Ordinary shares of US\$1.00 each			
Mr. Tay Siew Choon	Beneficial owner	20	0.02%

Name of director and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital as at the Latest Practicable Date
(vi) Interest in Vertex Technology Fund (II) Ltd			
Ordinary shares of US\$1.00 each			
Mr. Tay Siew Choon	Beneficial owner	500	0.33%
Redeemable preference shares of US\$0.01 each			
Mr. Tay Siew Choon	Beneficial owner	500	0.33%
(vii) Interest in SembCorp Industries Ltd			
Ordinary shares of S\$0.25 each			
Mr. Tay Siew Choon	Held by spouse	54,598	0.00%
Mr. Cheng Wai Wing, Edmund	Held by spouse	20,400	0.00%
(viii) Interest in Singapore Food Industries Limited			
Ordinary shares of S\$0.05 each			
Mr. Tay Siew Choon	Held by spouse	863,000	0.16%
(ix) Interest in Singapore Computer Systems Limited			
Ordinary shares of S\$0.25 each			
Mr. Tay Siew Choon	Held by spouse	971,000	0.63%

Name of director and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital as at the Latest Practicable Date
(x) Interest in Singapore Telecommunications Ltd			
Ordinary shares of S\$0.15 each			
Mr. Tay Siew Choon	Beneficial owner	1,560	0.00%
	Held by spouse	1,430	0.00%
		<u>2,990</u>	<u>0.00%</u>
Mr. Yeo Chee Tong	Beneficial owner	5,590	0.00%
	Held by spouse	1,616	0.00%
		<u>7,206</u>	<u>0.00%</u>
(xi) Interest in SMRT Corporation Ltd			
Ordinary shares of S\$0.10 each			
Mr. Tay Siew Choon	Beneficial owner	30,000	0.02%
(xii) Interest in Telechoice International Limited			
Ordinary shares of S\$0.02 each			
Mr. Tay Siew Choon	Beneficial owner	60,000	0.01%
Mr. Yeo Chee Tong	Beneficial owner	9,000	0.00%
(xiii) Interest in Neptune Orient Lines Limited			
Ordinary shares of S\$1.00 each			
Mr. Tay Siew Choon	Held by spouse	50,000	0.00%
(xiv) Interest in DBS Group Holdings Limited			
Ordinary shares of S\$1.00 each			
Mr. Cheng Wai Wing, Edmund	Held by spouse	2,000	0.00%
(xv) Interest in Keppel Corporation Limited			
Ordinary shares of S\$0.50 each			
Mr. Cheng Wai Wing, Edmund	Held by spouse	17,000	0.00%

(b) Share options

Name of director and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
(i) Interest in Chartered Semiconductor Manufacturing Ltd					
Mr. 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
				<u>454,073</u>	<u>454,073</u>
(ii) Interest in CapitaLand Limited					
Mr. Tay Siew Choon	Beneficial owner	12,500	12,500	2.02	19 June 2002 to 18 June 2006
		12,500	12,500	2.02	19 June 2003 to 18 June 2006
		12,500	12,500	2.02	19 June 2004 to 18 June 2006
		12,500	12,500	2.02	19 June 2005 to 18 June 2006
		10,000	10,000	1.32	11 May 2003 to 10 May 2007
		10,000	10,000	1.32	11 May 2004 to 10 May 2007
		10,000	10,000	1.32	11 May 2005 to 10 May 2007
		10,000	10,000	1.32	11 May 2006 to 10 May 2007
		<u>90,000</u>	<u>90,000</u>		

Name of director and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
(iii) Interest in The Ascott Group Limited					
Mr. Tay Siew Choon	Beneficial owner	10,000	10,000	0.37	21 December 2001 to 30 December 2006
		12,000	12,000	0.32	30 June 2002 to 30 December 2006
		12,000	12,000	0.35	5 May 2003 to 30 December 2006
		23,000	23,000	0.32	10 May 2004 to 30 December 2006
		<u>57,000</u>	<u>57,000</u>		
(iv) Interest in STT Communication Limited					
Mr. 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 2005 to 27 April 2011
		7,500	7,500	0.50	24 November 2005 to 23 November 2011
		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 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
		50,000	50,000	1.08	29 July 2005 to 28 July 2014
		50,000	50,000	1.08	29 July 2006 to 28 July 2014
		50,000	50,000	1.08	29 July 2007 to 28 July 2014
		50,000	50,000	1.08	29 July 2008 to 28 July 2014
		<u>426,250</u>	<u>426,250</u>		

Name of director and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
(v) Interest in SembCorp Industries Ltd					
Mr. 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		
		<u>1,150,000</u>	<u>1,150,000</u>		

Name of director and company in which interest is held	Capacity	Number of share options held	Number of underlying shares	Exercise price S\$	Exercisable period
(vi) Interest in Green Dot Internet Services Pte Ltd					
Mr. 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
		2,616	2,616	1.00	1 April 2005 to 31 March 2014
		2,617	2,617	1.00	1 April 2006 to 31 March 2014
		2,617	2,617	1.00	1 April 2007 to 31 March 2014
		2,920	2,920	1.00	1 April 2005 to 31 March 2015
		2,920	2,920	1.00	1 April 2006 to 31 March 2015
		2,920	2,920	1.00	1 April 2007 to 31 March 2015
		2,921	2,921	1.00	1 April 2008 to 31 March 2015
		<u>38,774</u>	<u>38,774</u>		
(vii) Interest in Global Crossing Ltd				US\$	
Mr. 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
		<u>11,000</u>	<u>11,000</u>		

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Interests of substantial shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were, directly or 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 meetings of any other member of the Group or had any option in respect of such capital:

Long positions in the ordinary shares of HK\$0.10 each in the capital of the Company

Name of shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company
SNP	Beneficial owner	282,343,988	70.11%
Green Dot Capital Pte Ltd	Held by controlled corporation (<i>Note</i>)	282,343,988	70.11%
Temasek Capital (Private) Limited	Held by controlled corporation (<i>Note</i>)	282,343,988	70.11%
Temasek Holdings (Private) Limited	Held by controlled corporation (<i>Note</i>)	282,343,988	70.11%

Note: These shares were held through SNP, a company in which Green Dot Capital Pte Ltd, a wholly owned subsidiary of Temasek Capital (Private) Limited, has an approximately 55% shareholding. Temasek Capital (Private) Limited is a wholly owned subsidiary of Temasek Holdings (Private) Limited.

Interests in other members of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders	Number of shares held	Percentage of interest
Yau Yue	Keep Happy Holdings Limited (<i>Note</i>)	1,086,800 ordinary shares of HK\$1.00 each	24.7%
	Winter Stars Enterprises Limited (<i>Note</i>)	585,200 ordinary shares of HK\$1.00 each	13.3%

Note: As at the Latest Practicable Date, Keep Happy Holdings Limited and Winter Stars Enterprises Limited were wholly owned by Mr. Kwong Chi Kin and Mr. Kwong Chi Keung respectively, and Mr. Kwong Chi Kin and Mr. Kwong Chi Keung were directors of Yau Yue.

Save as disclosed herein, according to the register of interests kept by the Company under section 336 of the SFO and so far as is known to the Directors, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or 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 meetings of any member of the Group or in any options in respect of such capital.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

On 3 May 2005, Yau Yue, which is indirectly owned as to 60% by the Company, entered into service contracts with each of its directors, Mr. Kwong Chi Kin and Mr. Kwong Chi Keung, the material terms of which were as follows:

Term:	3 years
Salary:	HK\$43,000 per month plus a year end double pay equivalent to one month of basic salary
Termination:	Each contract is not terminable within the first 3 years unless the relevant director ceases to hold shares in Yau Yue.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or proposed directors of the Group had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employing company within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2004 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had an interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

8. EXPERT AND CONSENT

The following is the qualification of the expert whose letter and report are contained in this prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter and report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any assets which have been, since 31 December 2004 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

The contracts which have been entered into by the members of the Group since two years preceding the date of this prospectus, which are not in the ordinary course of business and which are or may be material are as follows:

- (a) the conditional agreement dated 3 May 2004 entered into between SNP and the Company in relation to the acquisition by the Company from SNP of the entire issued share capital of Excel (HK) at a total consideration of S\$70,480,000;
- (b) the conditional agreement dated 3 May 2004 entered into between SNP and the Company in relation to the acquisition by the Company from SNP of approximately 94.93% of the total voting share capital of Excel (Thai) and approximately 98.93% of the total voting share capital of CTT at a total consideration of S\$17,520,000;
- (c) the deed of indemnity dated 14 August 2004 executed by SNP in favour of the Group in relation to property related issues relating to Excel (HK) and its subsidiaries;
- (d) the deed of indemnity dated 14 August 2004 executed by SNP in favour of the Group in relation to property related issues relating to Excel (Thai);
- (e) the deed of variation dated 14 August 2004 entered into between SNP and the Company in relation to the amendment of the non-competition undertakings in the agreements referred to in paragraphs (a) and (b) above;
- (f) the deed of indemnity dated 14 August 2004 executed by SNP in favour of the Group in relation to estate duty, taxation and the failure of Excel (HK), Excel (Thai) and CTT and their subsidiaries in obtaining the relevant permits, licences and certificates to carry on their respective businesses;
- (g) the conditional agreement dated 18 March 2005 entered into between the Company, Keep Happy Holdings Limited, Winter Stars Enterprises Limited, Ms. Zhang Li Fang, Mr. Kwong Chi Kin and Mr. Kwong Chi Keung in relation to, among other things, the acquisition of a total of 2,640,000 ordinary shares of Yau Yue, representing 60% of the issued share capital of Yau Yue, by the Company from Keep Happy Holdings Limited, Winter Stars Enterprises Limited and Ms. Zhang Li Fang at a total consideration of HK\$68,400,000; and
- (h) the Underwriting Agreement.

10. CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Head office and principal place of business in Hong Kong	10th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong
Authorised representatives	Mr. Yeo Chee Tong Apartment D, 2nd Floor, Block 5 The Mount Austin 8 Mount Austin Road Hong Kong Mr. Lo Kin Cheung Flat F, 27th Floor, Block 11 South Horizons Ap Lei Chau Hong Kong
Company secretary	Mr. Lo Kin Cheung, <i>F.C.P.A., F.A.C.C.A.</i>
Qualified accountant	Mr. Lo Kin Cheung, <i>F.C.P.A., F.A.C.C.A.</i>
Financial adviser to the Company	Tai Fook Capital Limited 25th Floor New World Tower 16-18 Queen's Road Central Hong Kong

Legal advisers to the Company*As to Hong Kong law:*

Richards Butler
20th Floor
Alexandra House
16-20 Chater Road
Central
Hong Kong

As to Bermuda law:

Appleby Spurling Hunter
5511, The Center
99 Queen's Road Central
Hong Kong

AuditorsDeloitte Touche Tohmatsu, *CPA***Audit committee**

Mr. Walter John Robert (*Chairman*)
Mr. Cheng Wai Wing, Edmund
Mr. Lai Ming, Joseph

**Principal share registrar
and transfer office**

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
P.O. Box HM 2020
Hamilton HM DX
Bermuda

Hong Kong branch share registrar

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

BNP Paribas
63rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

DBS Bank Ltd, Hong Kong Branch
16th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

11. EXPENSES

The expenses in connection with the Rights Issue, including financial and legal advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK\$2 million and will be payable by the Company.

12. PARTICULAR OF DIRECTORS**(a) Name****Address***Executive Directors*

Mr. Yang Sze Chen, Peter

6th Floor, Ka Ning Path
14 Fontana Gardens
Hong Kong

Mr. Yeo Chee Tong

Apartment D, 2nd Floor, Block 5
The Mount Austin
8 Mount Austin Road
Hong Kong

Non-executive Director

Mr. Tay Siew Choon

6 Third Avenue
Singapore 266579

Independent non-executive Directors

Mr. Cheng Wai Wing, Edmund	16 Peel Road Singapore 248620
Mr. John Robert Walter	401 North Ahwahnee Road Lake Forest IL 60045 United States of America
Mr. Lai Ming, Joseph	12F, Gold Ning Mansion 5 Tai Hang Drive Hong Kong
Ms. Kan Lai Kuen, Alice	Block 31, 12/F., Baguio Villa 550 Victoria Road Pokfulam Hong Kong

(b) Qualifications*Executive Directors*

Mr. Yang Sze Chen, Peter, aged 68, was 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.

Mr. Yeo Chee Tong, aged 46, was appointed as the executive Director and chief executive officer of the Company in July 2003. He has been a director of SNP since April 2000. Being the president and chief executive officer of SNP, he also sits on the boards of the SNP group of companies.

Non-executive Director

Mr. Tay Siew Choon, aged 57, was appointed as a non-executive Director in July 2003. He is the chairman and a non-executive Director of SNP since April 2000, co-chairman of Nexgen Financial Holdings Limited and deputy chairman of Green Dot Capital Pte Ltd. In addition, he is also a board member of Chartered Semiconductor Manufacturing Ltd, STATS ChipPAC Limited, ST Telemedia Pte Ltd., Straco Corporation Limited and Pan-United Corporation Ltd. Mr. Tay graduated from Auckland University with a Bachelor of Engineering (Electrical) with Honours under a Colombo Plan Scholarship. He also holds a Master 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.

Independent Non-executive Directors

Mr. Cheng Wai Wing, Edmund, aged 52, was appointed as an independent non-executive Director in July 2003. He is also an independent non-executive director of SNP. Mr. Cheng is the deputy chairman of the Singapore-listed Wing Tai Holdings Limited and Chairman of Singapore Airport Terminal Services Limited and Mapletree Investments Pte Ltd. He is also chairman of The Esplanade Co. Ltd, The Old Parliament House Ltd and DesignSingapore Council, Deputy Chairman of National Arts Council and Board Member of CIH Limited, DNP Holdings Berhad 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 58, was appointed as an independent non-executive Director in February 2004. He is also an independent non-executive director of SNP. 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, Manpower Inc. and Vasco Data Securities, Inc. in the United States.

Mr. Lai Ming, Joseph, F.C.P.A., F.C.M.A., F.C.P.A (Australia), aged 60, was appointed as an independent non-executive Director in August 2004. He was the president of the Hong Kong Society of Accountants in 1986 (now known as the Hong Kong Institute of Certified Public Accountants) and is presently on its Audit Committee and the Investigation Panel. Mr. Lai is also 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, before his retirement at the end of 2003. He is on the board of Synergis Holdings Ltd. as a non-executive director and an independent non-executive director of Dynasty Fine Wines Group Limited and Jolimark Holdings Limited. 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.

Ms. Kan Lai Kuen, Alice, aged 50, was appointed as an independent non-executive Director in April 2005. She is a shareholder and director of Asia Investment Management Limited and Asia Investment Research Limited and is a licensed investment adviser under the SFO. Ms. Kan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. She is currently an independent non-executive director of Shougang Concord Technology Holdings Limited, Shougang Concord International Enterprises Company Limited, Regal Hotels International Holding Limited and G-Vision International (Holdings) Limited, all of which are listed on the Stock Exchange.

13. BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Rights Issue Documents, having attached thereto the written consent referred to under the heading “Expert and consent” in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of each of the Rights Issue Documents has been or will be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

15. MISCELLANEOUS

- (a) Save for the Underwriting Agreement, there is no contract or agreement entered into by any member of the Group, subsisting at the date hereof in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (b) The registered office of the Underwriter is 25th Floor, New World Tower, 16-18 Queen’s Road Central, Hong Kong and the Underwriter is wholly owned by Tai Fook Securities Group Limited.
- (c) The English text of this prospectus and of the PAL and the EAF shall prevail over the Chinese text for the purpose of interpretation.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business in Hong Kong of the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) from the date of this prospectus up to and including Friday, 8 July 2005:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2003 and 31 December 2004;
- (c) the accountants’ report of Yau Yue and Yau Yue Group for the three years ended 31 March 2004 and nine months ended 31 December 2004, the text of which is set out on pages 65 to 94 of this prospectus, together with the statement of adjustments;
- (d) the report from Deloitte Touche Tohmatsu dated 29 April 2005 on the statement of unaudited pro forma assets and liabilities of the Enlarged Group, the text of which is set out on pages 100 to 101 of this prospectus;

- (e) the report from Deloitte Touche Tohmatsu dated 23 June 2005 on the unaudited pro forma profits and losses statement of the Enlarged Group, the text of which is set out on pages 105 to 106 of this prospectus;
- (f) the report from Deloitte Touche Tohmatsu dated 23 June 2005 on the statement of unaudited pro forma consolidated net tangible assets of the Enlarged Group, the text of which is set out on pages 109 to 110 of this prospectus;
- (g) the material contracts referred to under the paragraph headed “Material contracts” in this appendix;
- (h) the service contracts referred to in the paragraph headed “Service contracts” in this appendix;
- (i) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (j) the circular of the Company dated 29 April 2005 in relation to the acquisition of 60% equity interest in Yau Yue.