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If you have sold or otherwise transferred all your shares in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED PRIVATISATION OF SNP LEEFUNG HOLDINGS LIMITED
BY SNP CORPORATION LTD
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA (AS AMENDED)
AND WITHDRAWAL OF LISTING**

Financial adviser to SNP Corporation Ltd

CIMB

CIMB-GK Securities (HK) Limited

*Independent financial adviser to the Independent Board Committee of
SNP Leefung Holdings Limited*



SOMERLEY LIMITED

A letter from the board of Directors is set out in Part I of this Scheme Document. An Explanatory Statement regarding the Proposals is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders and Optionholders in relation to the Share Proposal and the Option Proposal, respectively, is set out in Part II of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Proposals is set out in Part III of this Scheme Document.

The actions to be taken by Independent Shareholders and Optionholders are set out in Part I of this Scheme Document.

Notices convening the Court Meeting and the Special General Meeting to be held on Wednesday, 6 September 2006 are set out on pages 178 to 179 and 180 to 181 of this Scheme Document, respectively. Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the white form of proxy in respect of the Special General Meeting in accordance with the instructions printed respectively on them and to lodge them with the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong, and marked "For the attention of the Company Secretary, Privatisation of the Company" as soon as possible but in any case not later than the times stated under the paragraph headed "Meetings and action to be taken by Independent Shareholders" in Part I of this Scheme Document. In the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so lodged.

* for identification purposes only

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DEFINITIONS

In this Scheme Document (other than the Scheme in Part VIII and notices of the Meetings in Parts IX and X), the following words and expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning given to it in the Takeovers Code
“Announcement”	the announcement dated 28 June 2006 issued jointly by the Company and SNP Corp relating to the Proposals
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, approvals, waivers or exemptions required from any Relevant Authorities or other third parties which are necessary in connection with the Share Proposal or for the implementation of the Scheme
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	SNP Leefung Holdings Limited, a company incorporated in Bermuda with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Conditions”	the conditions (or any of them) to which the Proposals are subject, which are set out in the Explanatory Statement in Part IV of this Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Supreme Court at which the Scheme will be voted upon
“Directors”	the directors of the Company

DEFINITIONS

“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Supreme Court, becomes effective in accordance with its terms, which is the date on which a copy of the Supreme Court order sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration, and which is expected to be 25 September 2006 (Bermuda time)
“Executive”	the executive director of the corporate finance division of the SFC or any of his delegates
“Explanatory Statement”	the explanatory statement set out in Part IV of this Scheme Document issued in compliance with Section 100 of the Companies Act
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established for the purpose of advising the Independent Shareholders in relation to the Share Proposal and Optionholders in relation to the Option Proposal, and comprising two independent non-executive Directors, namely Mr. Joseph, Lai Ming and Ms. Alice, Kan Lai Kuen. The remaining independent non-executive Directors, namely Mr. Edmund, Cheng Wai Wing and Mr. John Robert Walter are not deemed to be independent because they are also directors of SNP Corp
“Independent Financial Adviser”	Somerley Limited, a licensed corporation to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in connection with the Proposals

DEFINITIONS

“Independent Shareholders”	Shareholders, other than SNP Corp and parties acting in concert with it
“Last Trading Day”	23 June 2006, being the last trading day of the Shares immediately before suspension of trading of the Shares prior to release of the Announcement
“Latest Practicable Date”	7 August 2006, being the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information for inclusion in this Scheme Document
“Letter to Optionholders”	the letter setting out the terms and conditions of the Option Proposal being sent to Optionholders and substantially in the form set out in Appendix 1
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meeting(s)”	the Court Meeting and the Special General Meeting or either of them, as the case may be
“Mr. Yang”	Mr. Peter, Yang Sze Chen, a director of the Company interested in 17,414,867 Shares representing approximately 3.46% of the issued share capital of the Company as at the Latest Practicable Date
“Option(s)”	options granted under the Share Option Scheme and outstanding (being, as at the Latest Practicable Date, 6,758,750 Options conferring rights to subscribe for 6,758,750 Shares at price ranges from HK\$1.029 to HK\$1.597 per Share)
“Option Offer Price”	the cancellation price payable in cash by SNP Corp to the Optionholders pursuant to the Option Proposal
“Option Proposal”	the proposal to Optionholders for cancellation of all Outstanding Options
“Option Record Date”	the last day (other than a Saturday) before the Effective Date on which banks are open for business in Hong Kong or such other time and date as shall have been announced by the Company for determining entitlements under the Option Proposal

DEFINITIONS

“Optionholder(s)”	holder(s) of one or more Options
“Optionholder Form of Acceptance”	the form of acceptance despatched to Optionholders in connection with the Option Proposal
“Outstanding Options”	Options (including those granted but not yet vested) not exercised as at the Option Record Date
“PRC”	The People’s Republic of China, excluding, for the purpose of this Scheme Document, Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposals”	collectively, the Share Proposal and the Option Proposal
“Registrar”	Tengis Limited, being the branch share registrar of the Company in Hong Kong
“Relevant Authorities”	relevant governments and/or governmental bodies, regulatory bodies, courts or institutions
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale & Purchase Agreement”	the agreement dated 24 June 2006 for the sale and purchase of in aggregate 23,324,000 Shares entered into between SNP Corp and the Vendors
“Sale Shares”	in aggregate 23,324,000 Shares, representing 4.63% of the issued share capital of the Company as at the Latest Practicable Date
“Scheme”	a scheme of arrangement under Section 99 of the Companies Act to cancel all the Scheme Shares
“Scheme Document”	this document dated 10 August 2006 issued to all the Shareholders and Optionholders containing, among other things, further details of the Proposals and the Scheme, the recommendations of the Independent Board Committee in respect of the Proposals, the letter of advice from the Independent Financial Adviser to the Independent Board Committee, an Explanatory Statement as required under the Companies Act, the expected timetable, and the notices convening the Court Meeting and the Special General Meeting

DEFINITIONS

“Scheme Share(s)”	Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	Shareholder(s) other than SNP Corp
“Scheme Record Date”	the last day (other than a Saturday) before the Effective Date on which banks are open for business in Hong Kong or such other time and date as shall have been announced by the Company for determining entitlements of Scheme Shares under the Scheme
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Offer Price”	HK\$1.68 per Scheme Share, being the cancellation price payable in cash by SNP Corp to the Scheme Shareholders under the Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 28 August 2003 and as it may from time to time be amended or supplemented
“Share Proposal”	the proposal to Scheme Shareholders for the cancellation of all Scheme Shares pursuant to the Scheme
“Shareholders”	registered holders of Shares
“SNP Corp”	SNP Corporation Ltd, a company incorporated in Singapore with limited liability whose shares are listed on the Singapore Exchange Securities Trading Limited
“Special General Meeting”	the special general meeting of the Company to be held to consider and approve, among other matters, the capital reduction arising as a result of the Scheme, or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supreme Court”	the Supreme Court of Bermuda

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	collectively, (i) Shaw Kwei & Partners (Asia) Ltd., a company incorporated in the Cayman Islands and is controlled by Mr. Kyle Shaw, a former Director who retired on 28 February 2005; (ii) Asian Value Investment Fund, L.P., a limited partnership incorporated in the Cayman Islands, the shares of which are held legally by Shaw Kwei & Partners (Asia) Ltd. in its capacity as a general partner on behalf of ten limited partners, all of which are individuals, their personal holding companies or other investment funds; (iii) Shaw Kwei & Partners Ltd.; (iv) S. Lachlan Hough; (v) Hui Shing Leong; and (vi) Pegasus Capital II, L.P., a private investment fund organised as a limited partnership in Delaware, the United States of America, who including their beneficial owners, are, to the best knowledge and belief of SNP Corp, third parties independent of the Company and its connected persons

All references in this Scheme Document to times and dates are references to Hong Kong times and dates other than references to the expected dates of the Supreme Court hearing to sanction the Scheme and the Effective Date, which are references to the relevant times and dates in Bermuda. As at the date of this Scheme Document, Bermuda time is 11 hours behind Hong Kong time.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following timetable takes into account the Supreme Court procedures for the Scheme. The expected timetable is indicative only and is subject to change.

2006

Latest time for lodging transfers of the Shares to qualify for entitlement to attend and vote at the Court Meeting and the Special General Meeting 4:00 p.m. on Tuesday, 29 August

Register closed for determination of entitlements to attend and vote at the Court Meeting and the Special General Meeting (*Note 1*) from Wednesday, 30 August to Wednesday, 6 September (both dates inclusive)

Latest time for lodging forms of proxy in respect of:

Court Meeting (*Note 2*) 9:00 a.m. on Monday, 4 September

Special General Meeting (*Note 3*) 10:00 a.m. on Monday, 4 September

Suspension of dealings in the Shares 9:30 a.m. on Wednesday, 6 September

Court Meeting 9:00 a.m. on Wednesday, 6 September

Special General Meeting (*Note 4*) 10:00 a.m. on Wednesday, 6 September

Press announcement of the results

of the Meetings in newspapers Thursday, 7 September

Resumption of dealing in the Shares 9:30 a.m. on Thursday, 7 September

Court hearing of the petition to sanction the Scheme Friday, 15 September
(Bermuda time)

Press announcement of the results of hearing of the petition

to sanction the Scheme in newspapers Monday, 18 September

Last day for dealing in the Shares Monday, 18 September

Latest time for lodging transfers of the Scheme Shares

to qualify for entitlements under the Scheme 4:00 p.m. on Thursday, 21 September

Scheme Record Date Friday, 22 September

Register closed for determination of entitlements

to qualify under the Scheme (*Note 5*) from Friday, 22 September to Monday, 25 September (both dates inclusive)

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2006

Effective Date (*Note 6*) Monday, 25 September
(Bermuda time)

Press announcement of Effective Date and
withdrawal of listing in newspapers Wednesday, 27 September

Expected withdrawal of the listing of the Shares
on the Stock Exchange becomes effective (*Note 7*) 9:30 a.m. on Wednesday,
27 September

Cheques for cash payment under the Share Proposal and
the Option Proposal to be despatched on or before Wednesday, 4 October

Shareholders should note that the above timetable is subject to change. Further
announcement(s) will be made in the event that there is any change.

Notes:

1. The registers of members of the Company kept in Bermuda and Hong Kong will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the Special General Meeting. This book close period is not for determining the entitlements of Scheme Shares under the Scheme.
2. Form of proxy should be lodged with the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong marked "For the attention of the Company Secretary, Privatisation of the Company", no later than the relevant times and dates stated above or it may be handed to the Chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting will not preclude a Shareholder from attending the Court Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
3. Form of proxy should be lodged with the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong marked "For the attention of the Company Secretary, Privatisation of the Company", no later than the relevant times and dates stated above. Completion and return of a form of proxy for the Special General Meeting will not preclude a Shareholder from attending the Special General Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
4. The Special General Meeting will be held at the scheduled time as stated above or soon thereafter on the conclusion of the Court Meeting or after any adjournment of the Court Meeting.
5. The registers of members of the Company kept in Bermuda and Hong Kong will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
6. The Scheme will become effective when (a) it is sanctioned (with or without modification) by the Supreme Court and (b) an office copy of the order of the Supreme Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration and is registered. Registration is expected to take place in the afternoon on 25 September 2006 (Bermuda time) (which will be the morning on 26 September 2006 (Hong Kong time)). Scheme Shareholders should note that the timetable is subject to the fulfillment of the Conditions of the Proposals set out on pages 47 to 49 of this Scheme Document.
7. It is expected that the listing of the Shares on the Stock Exchange will be withdrawn on or before 27 September 2006, being the first trading day after the Effective Date.

The Court Meeting and the Special General Meeting will both be held at Hennessy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 6 September 2006. Please see the notice of the Court Meeting set out on pages 178 and 179 and the notice of the Special General Meeting set out on pages 180 and 181 of this Scheme Document for details.



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)

Directors:

Mr. Peter, Yang Sze Chen

Mr. Yeo Chee Tong

Mr. John Robert Walter*

Mr. Edmund, Cheng Wai Wing*

Mr. Joseph, Lai Ming*

Ms. Alice, Kan Lai Kuen*

** Independent non-executive Directors*

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Principal place of business
in Hong Kong:*

10/F, Wing On House

71 Des Voeux Road Central

Hong Kong

10 August 2006

To the Shareholders and the Optionholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF SNP LEEFUNG HOLDINGS LIMITED
BY SNP CORPORATION LTD
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA (AS AMENDED)
AND WITHDRAWAL OF LISTING**

INTRODUCTION

The Company was notified by SNP Corp on 24 June 2006 that SNP Corp entered into the Sale and Purchase Agreement with the Vendors on the same date to acquire in aggregate 23,324,000 Shares, representing approximately 4.63% of the entire issued share capital of the Company at a total consideration of HK\$39,184,320. The consideration was arrived at after arm's length negotiation amongst SNP Corp and the Vendors. Based on the total consideration paid by SNP Corp under the Sale and Purchase Agreement, the implied consideration paid by SNP Corp is equivalent to approximately HK\$1.68 per Share.

** for identification purposes only*

PART I – LETTER FROM THE BOARD

Completion took place on 5 July 2006. Following Completion, the Vendors ceased to have any interests in the issued share capital of the Company.

Save for the Sale and Purchase Agreement, neither SNP Corp nor any parties acting in concert with it has dealt in any Shares or any other securities convertible into Shares, including warrants, options or subscription rights, during the six months prior to the date of the Announcement.

Prior to Completion, SNP Corp was interested in approximately 70.93% of the Company. Following Completion, SNP Corp is interested in approximately 75.56% of the Company. On this basis, the public float of the Company (excluding the 3.46% interests held by Mr. Yang) amounts to approximately 20.98% as at the Latest Practicable Date. Application has been made by the Company to the Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules on the 25% minimum public float until the date of the withdrawal of the listing of the Shares on the Stock Exchange or such other date as considered appropriate by the Stock Exchange. On 24 July 2006, the Stock Exchange rejected the application made by the Company. The Company is in the process of seeking a review of its application by the Stock Exchange.

On 24 June 2006, SNP Corp requested the Board to put forward the Share Proposal to the Scheme Shareholders for cancellation of the Scheme Shares to effect the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act and informed the Board that it will make the Option Proposal to Optionholders for the cancellation of Outstanding Options in exchange for cash. Having reviewed the Share Proposal and the Option Proposal, the Board has agreed to put the Share Proposal forward to the Scheme Shareholders and the Option Proposal to the Optionholders. If approved, the Scheme will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Special General Meeting.

As at the Latest Practicable Date, SNP Corp and parties acting in concert with it were beneficially interested in 380,381,985 Shares (including the Sale Shares), representing approximately 75.56% of the issued share capital of the Company. Such Shares held by SNP Corp will not form part of the Scheme Shares. SNP Corp and parties acting in concert with it cannot vote at the Court Meeting but will vote or will procure the voting of their beneficial interests in the Company in favour of the special resolution to be proposed at the Special General Meeting to approve and give effect to the cancellation of the Scheme Shares and the reduction of the relevant portion of the issued share capital of the Company.

As advised by Mr. Yang, he will consider the terms and advice contained in the Scheme Document, in particular the letter from the Independent Financial Adviser before deciding his voting decisions in the Court Meeting and the Special General Meeting. Upon the Scheme becomes effective, Mr. Yang will continue his full-time employment with the Company, with no change in his current employment terms but will cease to act as Chairman of the Company. Mr. Yeo Chee Tong, an executive Director, has indicated that he intends to accept the Option Proposal in respect of the 1,725,000 Options held by him as at the Latest Practicable Date.

Notices of the Meetings are set out in Parts IX and X of this Scheme Document. The Meetings will be held on Wednesday, 6 September 2006 at Hennessy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong at the times specified in the respective notices.

THIS SCHEME DOCUMENT

The purpose of this Scheme Document is to give you further information regarding the Share Proposal and the Option Proposal and to give you notice of the Court Meeting and the Special General Meeting. Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the Explanatory Statement and the Scheme. Further details of the Option Proposal are set out in the Letter to Optionholders.

SUMMARY OF THE SHARE PROPOSAL

It is proposed that, subject to the fulfilment or waiver (as applicable) of the Conditions as described in the Explanatory Statement, the Share Proposal will be implemented by way of the Scheme, which will involve the cancellation of all the Scheme Shares and a reduction of the issued share capital of the Company under Section 46 of the Companies Act. Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and the Company will become a wholly-owned subsidiary of SNP Corp.

In consideration of the cancellation of their Scheme Share(s), each Scheme Shareholder will receive the Share Offer Price for each Scheme Share held as follows:

For each Scheme Share HK\$1.68

All of the Conditions will have to be fulfilled or waived, as applicable, on or before 31 December 2006 (or such later date as SNP Corp and the Company may agree or (to the extent applicable) as the Supreme Court may direct and as may be permitted by the Takeovers Code), failing which the Scheme will lapse.

Assuming that the Scheme becomes effective on 25 September 2006 (Bermuda time), cheques for cash entitlements under the Scheme are expected to be despatched to Scheme Shareholders on or before 4 October 2006.

SUMMARY OF THE OPTION PROPOSAL

The Company adopted the Share Option Scheme on 28 August 2003 pursuant to which employees, officers, directors and/or consultants of the Group are eligible for the grant of Options. As at the Latest Practicable Date, 6,758,750 Options were outstanding which, when exercised, will entitle their holders to subscribe for 6,758,750 Shares.

Under the terms of the Share Option Scheme, Optionholders are entitled to exercise their Options, which confer rights to subscribe for Shares at a price range of HK\$1.029 to HK\$1.597 per Share at any time up to and including the Option Record Date. Upon notice from the Company (to be given on the same day as the notices to holders of the Shares of the Meetings), the Optionholders shall be entitled to give notice to the Company to exercise their Options in full or in part at any time up to the Option Record Date. Shares issued upon exercise of the Options in accordance with the terms of the Share Option Scheme prior to the Option Record Date will form part of the Scheme Shares.

PART I – LETTER FROM THE BOARD

The Option Proposal, which is conditional upon the Share Proposal becoming effective and binding, has been made by SNP Corp to the Optionholders to purchase Outstanding Options, for cancellation in exchange for cash (being the difference between the exercise price and the Share Offer Price) for each Outstanding Option. The Letter to Optionholders setting out the terms and conditions of the Option Proposal is being despatched separately to Optionholders and is substantially in the form set out in Appendix 1. The Option Proposal is made on the following basis:

For each Outstanding Option with exercise price of:

HK\$1.029 **HK\$0.651 in cash**

HK\$1.140 **HK\$0.54 in cash**

HK\$1.421 **HK\$0.259 in cash**

HK\$1.597 **HK\$0.083 in cash**

FINANCING OF THE PROPOSALS

The total amount of cash required to effect the Share Proposal is approximately HK\$206.68 million assuming none of the Options is exercised prior to the Option Record Date in accordance with the terms of the Share Option Scheme. This amount would increase to an aggregate of approximately HK\$218.04 million if all Options are exercised, increasing the total issued share capital of the Company by 6,758,750 Shares to 510,167,397 Shares, prior to the Option Record Date.

SNP Corp has arranged internal resources and/or external borrowings to effect the Proposals. SNP Corp's financial adviser, CIMB-GK Securities (HK) Limited, is satisfied that sufficient financial resources are available to SNP Corp for the full implementation of the Proposals.

COMPARISONS WITH THE SHARE OFFER PRICE

The Share Offer Price represents:

- a premium of approximately 66.34% over the average closing price of approximately HK\$1.01 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days prior to and including the Last Trading Day;
- a premium of approximately 60.00% over the closing price of HK\$1.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 3.07% over the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

PART I – LETTER FROM THE BOARD

- a premium of approximately 43.59% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days prior to and including the Last Trading Day;
- a premium of approximately 43.59% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days prior to and including the Last Trading Day;
- an implied price to earnings multiple of 10.82 times, based on the basic earnings per Share of HK\$15.52 cents for the year ended 31 December 2005 and the weighted average of 453,534,504 Shares in issue for the year ended 31 December 2005;
- a premium of approximately 12.75% to the audited consolidated net tangible asset value per Share of approximately HK\$1.49 as at 31 December 2005 based on 503,408,647 Shares in issue;
- a premium of approximately 12% to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.50 as at 30 June 2006 based on 503,408,647 Shares in issue; and

Historical share price information on the Shares is set out in the paragraph headed “Market Prices” in Part VII of this Scheme Document.

REASONS FOR AND BENEFITS OF THE PROPOSALS

Your attention is drawn to the paragraph headed “Reasons for and benefits of the Proposals” on page 53 in the Explanatory Statement set out in Part IV of this Scheme Document.

The average monthly trading volume of the Shares has been thin recently, resulting in the low liquidity of the Shares. The average daily trading volume for the month preceding the date of the Announcement of approximately 68,111 Shares represents less than 0.01% of the total issued share capital of the Company. Since SNP Corp already owns approximately 75.56% of the Company (including the Sale Shares) as at the Latest Practicable Date, the directors of SNP Corp believe that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of SNP Corp. In addition, Shareholders should note that no discussion has been taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by SNP Corp and SNP Corp intends to continue the Company’s businesses.

In addition, SNP Corp believes that the ability of the Company to take advantage of being a listed company to raise funds from the equity market is limited and any such fund raising exercise would result in an unattractive level of dilution for all Shareholders. Furthermore, SNP Corp believes that the costs associated with the maintenance of the Company’s listing on the Stock Exchange and the Company’s status as a publicly listed company are no longer justified.

PART I – LETTER FROM THE BOARD

As the Share Offer Price represents a premium of approximately 60.00%, approximately 66.34%, approximately 43.59% and approximately 43.59% over the 1-day, 30-day, 90-day and 180-day average closing price per Share prior to the Last Trading Day respectively, the directors of SNP Corp believe that the Proposal will provide an opportunity for all Scheme Shareholders to realise their investment in the Company at a premium to the prevailing market price of the Shares. SNP Corp also believes that the Share Offer Price is also significantly in excess of any price Scheme Shareholders may obtain from open market sale under current market conditions. In the absence of the Share Proposal, SNP Corp considers it unlikely that market sentiment towards the Shares will improve significantly in the foreseeable future.

INFORMATION RELATING TO THE GROUP

Your attention is drawn to the paragraph headed “Information on the Group” on page 52 in the Explanatory Statement set out in Part IV of this Scheme Document.

The principal activities of the Group comprise printing books, magazines, pop-up books and packaging products.

The Group is primarily involved in printing books, magazines and packaging products. It has diversified printing and packaging operations that offers one-stop service to its customers, offering pre-press printing to post printing and related distribution services. The major businesses of the Group include case-bound books, children books, pop-up books, colour magazines, commercial printing and corrugated boxes. Headquartered in Hong Kong, the Group owns and operates unique production facilities in various cities in the PRC and Thailand.

A summary of the audited consolidated results of the Group for the two years ended 31 December 2005 and the unaudited consolidated results of the Group for the six months ended 30 June 2005 and 30 June 2006 is set out below:

	(Audited)		(Unaudited)	
	For the year ended 31 December		For the six months ended 30 June	
	2005	2004	2006	2005
	<i>HK\$ in millions</i>		<i>HK\$ in millions</i>	
Turnover	1,700.06	974.15	765.74	703.16
Net profit attributable to shareholders	70.37	50.22	13.13	30.17

The unaudited consolidated net assets of the Group were approximately HK\$925.54 million as at 30 June 2006.

INTENTIONS OF SNP CORP

Your attention is drawn to the paragraph headed “Intentions of SNP Corp” on page 54 in the Explanatory Statement set out in Part IV of this Scheme Document.

PART I – LETTER FROM THE BOARD

It is the intention of SNP Corp to maintain the existing businesses of the Group upon successful privatisation of the Company. SNP Corp does not intend to introduce any major changes to the existing operating and management structure of the Group, or to cause major changes to the employment of employees of the Group, as a result of the implementation of the Proposals. SNP Corp will, however, be solely responsible for the funding or procuring funding for the on-going requirements of the Group's business after the successful implementation of the Proposals. SNP Corp intends to retain the Company's existing senior management team to manage the Company after completion of the Proposals.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. Scheme Shareholders will be notified by way of a press announcement of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. SNP Corp has no intention to seek listing of the Shares on another stock exchange upon implementation of the Scheme and withdrawal of listing of the Shares from the Stock Exchange.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and share certificates for the Scheme Shares will cease to have effect as documents of evidence of title and should be returned to the Company for cancellation.

MEETINGS AND ACTION TO BE TAKEN BY INDEPENDENT SHAREHOLDERS

As you will see from the notices on pages 178 to 181 of this Scheme Document, the Meetings will be convened at the times specified in the respective notices. The Supreme Court has directed that the Court Meeting be held to consider and, if thought fit, to approve the Scheme (with or without modification).

The Court Meeting will be convened and held in accordance with the directions of the Supreme Court. The Special General Meeting will be convened and held in accordance with the bye-laws of the Company.

Following the conclusion of the Court Meeting, the Special General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve, amongst other matters, the Scheme and the capital reduction arising as a result of the Scheme.

If the Scheme is approved at the Court Meeting, SNP Corp and parties acting in concert with it have indicated that their respective Shares will be voted in favour of the special resolution to be proposed at the Special General Meeting to approve, amongst other matters, the Scheme and the capital reduction arising as a result of the Scheme.

PART I – LETTER FROM THE BOARD

Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and also the enclosed white form of proxy in respect of the Special General Meeting, in accordance with the instructions printed respectively on them and to lodge them with the Company marked “For the attention of the Company Secretary, Privatisation of the Company”, at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong as soon as possible but in any case not later than the following respective times. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 9:00 a.m. on Monday, 4 September 2006 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Special General Meeting must be lodged not later than 10:00 a.m. on Monday, 4 September 2006.

Completion and return of a form of proxy for each of the Court Meeting or the Special General Meeting will not preclude you from attending the relevant Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

Pursuant to Bye-law 67 of the Bye-laws of the Company, a resolution put to the vote of a general meeting of the Shareholders shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (i) by the Chairman of the meeting;
- (ii) by at least 3 Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting;
- (iii) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being the Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

VOTES REQUIRED

Approval of the Share Proposal will require the affirmative vote of a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting, provided that:

- (i) the Scheme is approved by at least 75 per cent. of the votes attaching to Scheme Shares held by Independent Shareholders that are cast either in person or by proxy at the Court Meeting (by way of poll); and

PART I – LETTER FROM THE BOARD

- (ii) the number of votes cast against the resolution to approve the Scheme at the Court Meeting (by way of poll) is not more than 10 per cent. of the votes attaching to all Scheme Shares held by Independent Shareholders.

The passing of a special resolution to approve the capital reduction of the relevant portion of the issued share capital of the Company as a result of the Scheme requires the affirmative vote by a majority of at least three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the Special General Meeting.

The special resolution approving, amongst other matters, the Scheme will be voted on by way of a poll.

ACTION TO BE TAKEN BY OPTIONHOLDERS

The Letter to Optionholders setting out the terms and conditions of the Option Proposal is being despatched today separately to each of the Optionholders. Optionholders should refer to those letters, which are substantially in the form set out in Appendix 1 of this Scheme Document. Optionholders should also note the instructions and terms printed on the Optionholder Form of Acceptance.

The Option Proposal is subject to and conditional upon the Scheme becoming effective but does not otherwise form part of the Scheme.

OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Share Proposal and the Option Proposal to Scheme Shareholders and Optionholders, respectively, who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and Optionholders are located. Such Scheme Shareholders and Optionholders should observe any applicable legal and regulatory requirements. It is the responsibility of any overseas Scheme Shareholder wishing to accept the Share Proposal and any overseas Optionholder wishing to accept the Option Proposal to satisfy itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

RECOMMENDATIONS

In accordance with Rule 2.1 of the Takeovers Code, an Independent Board Committee, comprising Mr. Joseph, Lai Ming and Ms. Alice, Kan Lai Kuen, both independent non-executive Directors, has been appointed to advise Independent Shareholders and Optionholders in respect of the Share Proposal and the Option Proposal, respectively. The remaining independent non-executive Directors, namely Mr. Edmund, Cheng Wai Wing and Mr. John Robert Walter are not deemed to be independent because they are also directors of SNP Corp and are therefore not eligible to be members of the Independent Board Committee.

PART I – LETTER FROM THE BOARD

The Independent Board Committee has considered the terms of the Proposals and taken into account the opinion and advice of the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in its letter on pages 21 to 45 of this Scheme Document. The Independent Board Committee’s recommendation is set out in the “Letter from the Independent Board Committee” on pages 19 and 20 of this Scheme Document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the paragraphs headed “Share certificates, dealings and listing” and “Registration and payment” on pages 55 and 56 in the Explanatory Statement set out in Part IV of this Scheme Document.

TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed “Taxation” on page 55 in the Explanatory Statement set out in Part IV of this Scheme Document.

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or other implications of the Scheme becoming effective or otherwise. It is emphasised that none of the Company, SNP Corp, the Independent Financial Adviser or CIMB-GK Securities (HK) Limited or any of their respective directors or any other person involved in the Proposals accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposals.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser set out in Part II and Part III of this Scheme Document, respectively, the Explanatory Statement set out in Part IV of this Scheme Document, the general information set out in Part VII of this Scheme Document, the Scheme set out in Part VIII of this Scheme Document and the notices of the Meetings set out in Part IX and Part X of this Scheme Document. Optionholders are urged to read carefully the Letter to Optionholders, a sample of which is set out in Appendix 1 of this Scheme Document.

Yours faithfully,
for and on behalf of the Board
Yeo Chee Tong
Director



SNP LEEFUNG HOLDINGS LIMITED

利豐雅高印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 623)

Members of the Independent Board Committee:

Mr. Joseph, Lai Ming

Ms. Alice, Kan Lai Kuen

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Principal place of business
in Hong Kong:*

10/F, Wing On House

71 Des Voeux Road Central

Hong Kong

10 August 2006

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF SNP LEEFUNG HOLDINGS LIMITED
BY SNP CORPORATION LTD
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA (AS AMENDED)
AND WITHDRAWAL OF LISTING**

We have been appointed as the Independent Board Committee to give a recommendation to the Independent Shareholders and the Optionholders in connection with the Share Proposal and the Option Proposal, respectively, details of which are set out in the "Letter from the Board" contained in the Part I of the Scheme Document. Terms used in this letter have the same meanings as defined in the Scheme Document. The Independent Financial Adviser has been appointed to advise us in connection with the Share Proposal and the Option Proposal.

* for identification purposes only

PART II – LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Share Proposal and the Option Proposal, and having taken into account the advice and recommendations of the Independent Financial Adviser contained in its letter in Part III of the Scheme Document, we are of the opinion that the terms of the Share Proposal are fair and reasonable so far as the Independent Shareholders are concerned, and that the terms of the Option Proposal are fair and reasonable so far as the Optionholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of both the resolution to approve the Scheme at the Court Meeting and the special resolution to approve, amongst other matters, the capital reduction arising as a result of the Scheme at the Special General Meeting. We also recommend the Optionholders to accept the Option Proposal if they have not exercised their Options prior to the Option Record Date.

Yours faithfully,

Independent Board Committee

Mr. Joseph, Lai Ming

Independent Non-executive Director

Ms. Alice, Kan Lai Kuen

Independent Non-executive Director

**PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE**

The following is the text of a letter of advice from Somerley Limited, the independent financial adviser appointed to advise the Independent Board Committee, which has been prepared for the purpose of incorporation into this Scheme Document, setting out its advice to the Independent Board Committee in connection with the Proposals.



SOMERLEY LIMITED

Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

10 August 2006

To the Independent Board Committee

Dear Sirs,

**PROPOSED PRIVATISATION OF
SNP LEEFUNG HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation of the Company by way of the Scheme under Section 99 of the Companies Act. Details of the Scheme are contained in the scheme document to the Shareholders dated 10 August 2006 (the “Scheme Document”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context otherwise requires.

The Board comprises two executive Directors and four independent non-executive Directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board Committee should comprise all non-executive Directors who have no direct or indirect interest in the Proposals. Since both Mr. Edmund, Cheng Wai Wing and Mr. John Robert Walter, the independent non-executive Directors, are also directors of SNP Corp, they are not considered independent in the context of the Proposals. Accordingly, the remaining independent non-executive Directors, namely, Mr. Joseph, Lai Ming and Ms. Alice, Kan Lai Kuen, have been appointed by the Board to constitute the Independent Board Committee to give a recommendation to the Independent Shareholders and the Optionholders as regards the Proposals. Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee as regards the fairness and reasonableness of the terms of the Proposals, which appointment has been approved by the Independent Board Committee.

PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Somerley Limited is not associated or connected with the Company or SNP Corp or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly is considered eligible to give an independent advice on the Proposals. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or SNP Corp or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of the Company, which we have assumed to be true, accurate and complete as at the date of this letter. We have reviewed the published financial information of the Company, including its audited financial statements for the five years ended 31 December 2005, the unaudited financial statements for the six months ended 30 June 2005 and the unaudited interim results announcement for the six months ended 30 June 2006. We have also discussed with Sallmanns (Far East) Limited (“Sallmanns”), the independent property valuer, the bases and assumptions for their valuation of the Group’s property interests as at 30 June 2006, details of which are contained in Part VI of the Scheme Document. We have also reviewed the trading performance of the Shares on the Stock Exchange and considered the future intention of SNP Corp regarding the Group.

We have sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Proposals. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Scheme Document were true at the date of the Scheme Document and will continue to be true at the date of the Court Meeting and the Special General Meeting. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

TERMS OF THE PROPOSALS

In summary, the Proposals involve the following principal steps:

- (i) all the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Share Offer Price, being HK\$1.68 in cash for every Scheme Share held;
- (ii) subject to and conditional upon the Share Proposal becoming effective, SNP Corp will offer to purchase the Outstanding Option for cancellation in exchange for cash at a price which is the difference between the respective exercise prices of the Outstanding Options and the Share Offer Price; and

PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

- (iii) the authorised and issued share capital of the Company will be reduced and the listing of the Shares on the Stock Exchange will be withdrawn immediately following the Effective Date.

Based on the Share Offer Price and a total of 123,026,662 Scheme Shares at the Latest Practicable Date, the amount of cash required in order to effect the Share Proposal is HK\$206.68 million if none of the Options is exercised prior to the Option Record Date in accordance with the terms of the Share Option Scheme. This amount would increase to an aggregate of approximately HK\$218.04 million if all the Options are exercised prior to the Option Record Date. Funding to effect the Proposals is to be made out of the internal resources and/or external borrowings of SNP Corp.

The Scheme is subject to a number of conditions, including but not limited to sanction of the Scheme by the Supreme Court of Bermuda and approval of the Scheme (by way of poll) by a majority in number representing not less than three-fourths in value of the Scheme Shares of the Independent Shareholders present and voting either in person or by proxy at the Court Meeting, provided that dissenting votes (taken by poll) against the Scheme at the Court Meeting cast by the Independent Shareholders not exceeding 10% in value of all the Scheme Shares held by the Independent Shareholders. As at the Latest Practicable Date, the Independent Shareholders held 123,026,662 Scheme Shares and 10% of such Shares amounted to 12,302,666 Shares. Details of the conditions to which the Scheme is subject are set out in the paragraph headed “Conditions of the Proposals” in the explanatory statement contained in Part IV of the Scheme Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee with regard to the Proposals, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Proposals

The Group is engaged in printing of (a) books and magazines; (b) packaging products; and (c) pop-up and touch-and-feel books.

SNP Corp, a company whose issued shares are listed on the Singapore Exchange Securities Trading Limited, became the controlling Shareholder in 2003. SNP Corp grew out of Singapore National Printers Pte Limited which in turn had its origin in the former Government Printing Office of Singapore. After becoming the controlling Shareholder, SNP Corp transferred its business in the production of pop-up and touch-and-feel books to the Group in 2004 for a total cash consideration of approximately S\$88.0 million (equivalent to approximately HK\$404.10 million at the then prevailing exchange rate), with a view to building up the Group into one of the world’s leading pop-up and touch-and-feel books manufacturers and focusing itself on educational publishing and technology-based security and financial printing. The move was also intended to provide

PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

the investors and investment market greater clarity on the distinct business and financial status of SNP Corp and the Company as two separate listed entities. The educational publishing business of SNP Corp has subsequently been disposed of in early 2006. Following such disposal, the Group became the principal operating unit of SNP Corp representing more than 80% of SNP Corp's turnover. In view of this, SNP Corp believes that it may not be justifiable for the Company to incur the costs associated with maintaining a separate listing status on the Stock Exchange.

As set out in the letter from the Board, the average daily trading volume of the Shares for the month preceding the date of the Announcement was thin at approximately 68,111 Shares, representing approximately 0.01% of the total issued share capital of the Company. Given the low liquidity of the Shares, the Directors believe that the Proposals provide an opportunity for all Scheme Shareholders to realise their investments in the Company at a premium of about 66.34% above the 30-day average daily closing price of the Shares up to the Last Trading Day.

SNP Corp is of the opinion that there is limited advantage to be gained by the Company retaining its listing status on the Stock Exchange for the purpose of raising new funds. In this regard, we noted that the Company has only conducted and completed a one-for-four rights issue at a price of HK\$1.20 per Share in July 2005 since SNP Corp became the controlling Shareholder.

Upon the Scheme becoming effective, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

2. Historical financial performance of the Group

The following is a summary of the audited consolidated results of the Group for the five years ended 31 December 2005 and the unaudited consolidated results for the six-month period ended 30 June 2005 as extracted from the relevant annual and interim reports of the Group and the unaudited consolidated results for the six-month period ended 30 June 2006 as extracted from the interim results announcement of the Company. The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "Revised HKFRSs") taking effect for accounting periods beginning on or after 1 January 2005. The 2001 to 2004 figures shown in the table below have been restated in

**PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE**

accordance with the Revised HKFRSs. Further details of the results and other financial information of the Group are set out in Part V of the Scheme Document.

	(Audited)					(Unaudited)	
	Year ended 31 December					Six months ended 30 June	
	2005	2004	2003	2002	2001	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Turnover	1,700.06	974.15	734.59	1,021.82	1,019.10	765.74	703.16
Gross profit	340.54	226.12	161.51	232.00	145.20	152.00	149.54
<i>Gross profit margin</i>	<i>20.03%</i>	<i>23.21%</i>	<i>21.99%</i>	<i>22.70%</i>	<i>14.25%</i>	<i>19.85%</i>	<i>21.27%</i>
Selling and distribution costs	(152.44)	(90.76)	(46.89)	(40.63)	(35.64)	(67.54)	(62.53)
Administrative expenses	(97.67)	(91.13)	(72.27)	(126.91)	(154.40)	(48.99)	(48.24)
Other operating income	8.11	8.44	4.23	3.09	6.18	3.68	2.59
Amortisation of goodwill	–	(5.05)	(0.40)	(0.40)	(0.64)	–	–
Surplus/(Deficit) on revaluation of properties/gain/(loss) on disposal of fixed assets/investment properties	2.07	8.83	(13.63)	(19.30)	(10.84)	0.56	2.47
Impairment loss recognised in respect of goodwill	–	–	–	–	(2.64)	–	–
Gain on disposal of discontinuing operation	–	–	–	25.50	–	–	–
Gain/(loss) on disposal of interests in subsidiaries/associate	–	–	–	0.82	(0.30)	–	–
Share of results of associates	3.54	3.86	3.57	3.33	(3.32)	0.95	1.87
Finance costs	(26.59)	(4.11)	(3.46)	(12.77)	(23.40)	(18.40)	(7.93)
Profit/(loss) before taxation	77.56	56.20	32.66	64.73	(79.80)	22.26	37.77
Taxation	(3.09)	(5.70)	(9.94)	(15.97)	(7.79)	(5.93)	(5.66)
Profit/(loss) for the year	<u>74.47</u>	<u>50.50</u>	<u>22.72</u>	<u>48.76</u>	<u>(87.59)</u>	<u>16.33</u>	<u>32.11</u>
Attributable to:							
Shareholders	70.37	50.22	22.44	40.13	(95.23)	13.13	30.17
Minority interests	4.10	0.28	0.28	8.63	7.64	3.20	1.94
	<u>74.47</u>	<u>50.50</u>	<u>22.72</u>	<u>48.76</u>	<u>(87.59)</u>	<u>16.33</u>	<u>32.11</u>

**PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE**

(i) Analysis of turnover and gross profit

The following table sets out the Group's turnover by product mix for the five years ended 31 December 2005 and for the six-month periods ended 30 June 2005 and 2006:

	(Audited)					(Unaudited)	
	Year ended 31 December					Six months ended 30 June	
	2005	2004	2003	2002	2001	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Continuing operations:							
Printing of books and magazines	855.88	691.13	668.13	696.11	690.61	379.62	372.65
Printing of packaging products	296.78	95.68	66.46	284.25	265.45	195.57	97.42
Printing of pop-up and touch- and-feel books	<u>547.40</u>	<u>187.34</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>190.55</u>	<u>233.09</u>
	1,700.06	974.15	734.59	980.36	956.06	765.74	703.16
Discontinued operations:							
Financial printing	<u>–</u>	<u>–</u>	<u>–</u>	<u>41.46</u>	<u>63.04</u>	<u>–</u>	<u>–</u>
	<u><u>1,700.06</u></u>	<u><u>974.15</u></u>	<u><u>734.59</u></u>	<u><u>1,021.82</u></u>	<u><u>1,019.10</u></u>	<u><u>765.74</u></u>	<u><u>703.16</u></u>

As illustrated in the summary above, the business of books and magazines printing remained relatively stable during 2001 to 2004. New machineries were acquired in early 2005 to increase the Group's production capacity. The overseas sales team was restructured in 2004 and became fully functional in 2005. As a result, there was a growth in the books and magazines printing business in 2005.

The Group's packaging products printing business was previously conducted principally through its then 51% subsidiary, Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (the "Shanghai J.V."), and recorded relatively stable turnover in 2001 and 2002. The Group disposed of a 26% interest in Shanghai J.V. in December 2002. Following such disposal, Shanghai J.V. became a 25% associated company and ceased to be consolidated into the Group's accounts. As a result, there was a significant drop in the turnover from the packaging products printing business in 2003. In May 2005, the Company completed the acquisition of a 60% stake in SNP Yau Yue Paper Products Limited (formerly known as "Yau Yue Paper Products Limited") ("SNP Yau Yue"), which together with its subsidiaries are engaged in the production of corrugated box and sheets in the PRC. The significant increase in turnover from the packaging products printing business in 2005 was attributable to such acquisition.

PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

The pop-up division was established by the acquisition of SNP Excel (Hong Kong) Company Limited and SNP Excel (Thailand) Co., Ltd from SNP Corp in September 2004. The increase in turnover from printing of pop-up and touch-and-feel books in 2005 was attributable to the full year contribution from SNP Excel (Hong Kong) Company Limited and SNP Excel (Thailand) Co., Ltd versus a partial inclusion of four-month results in 2004.

Turnover for the six-month period ended 30 June 2006 was approximately HK\$765.74 million, representing a slight increase of approximately 8.90% from the corresponding period in 2005, which was attributable to the inclusion of six months results of SNP Yau Yue.

The Group discontinued its financial printing business in August 2002 as a result of its policy to concentrate on developing its core business.

Gross profit margin of the Group improved substantially from approximately 14.25% in 2001 to 22.70% in 2002 due to the fact that there were no exceptional provision or write-offs of inventory in 2002 and more stringent cost control measures over the usage of raw materials and labour costs were implemented. The gross profit margin fluctuated narrowly within the range of 21.99% to 23.21% during 2002 to 2004. Due to the increase in operating costs, such as labour costs and fuel and oil charges, there was a slight drop in gross profit margin by approximately 3.18 percentage point to 20.03% in 2005. The Group's gross profit margin further dropped to approximately 19.85% for the six months ended 30 June 2006 primarily due to the change in product mix with higher weight on lower gross margin products.

(ii) Operating results and net profit/(loss) attributable to Shareholders

Selling and distribution expenses increased from approximately HK\$35.64 million in 2001 to approximately HK\$152.44 million in 2005, largely due to the growth in business of the Group during the period and the expansion of the overseas sales team in 2004. Although there was a drop in turnover in 2003, selling and distribution expenses increased by approximately HK\$6.26 million due to the re-classification of certain staff cost and sales office expenses from administrative expenses. The increase in selling and distribution costs for the six months ended 30 June 2006 was mainly due to the one-off bad debt provision of approximately HK\$9.50 million. The disposal of the Shanghai J.V. and the financial printing business in 2002 resulted in the reduction in administrative expenses in 2003. Due to the stringent cost control policies adopted by the Group, the increase in administrative expenses was managed at about 7.18% in 2005. The continuing implementation of cost savings measures resulted in a relatively stable administrative expenses for the six months ended 30 June 2006 as compared to that of the corresponding period in 2005. Finance costs dropped from approximately HK\$23.40 million in 2001 to

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approximately HK\$3.46 million in 2003 due to the ongoing reduction in interest rates and the level of the Group's borrowings. There was an increase in finance costs from approximately HK\$4.11 million in 2004 to approximately HK\$26.59 million in 2005 as a result of additional loans drawn for the acquisition of subsidiaries and the continual increase in interest rates. The high interest rate resulted in the increase in finance costs for the six months ended 30 June 2006 as compared to that of the corresponding period in 2005.

Owing to the remarkable improvement in gross profit margin in 2002 as explained above and the gain realised from the disposal of its financial printing business, the Group turnaround from a loss attributable to the Shareholders of approximately HK\$95.23 million in 2001 to a profit attributable to the Shareholders of approximately HK\$40.13 million in 2002. The increase in profit attributable to the Shareholders during 2003 to 2005 was mainly contributed by the expansion of the Group's business.

3. Prospects of the Group

Business of the Group

The Group has not made a forecast of profit for the year ending 31 December 2006. However, we have discussed with the management the principal factors which in their view are critical to the Group's business and profit margin.

The management is positive about the printing business as a whole. Nevertheless, the Group continues to face challenges from competition for market share as well as escalation in operating costs. Historically, export sales have been a key contributor to the Group's turnover, with sales to principal overseas markets such as the United States of America, United Kingdom, Australia and other areas accounting for around 60% of the Group's total turnover in 2005. Such contribution has decreased to less than 50% in the first half of 2006 principally due to a delay in the order pattern of overseas customers. The management expects that competition for overseas sales will continue to intensify and depress the margin of export products. Despite the Group's continuous efforts on expanding its export sales team with a view to improving export sales volume, the results of such efforts are yet to be seen. Sales to the Greater China region on the other hand have experienced growth during the first half of 2006. However, such growth was principally attributable to the inclusion of the six-month results of SNP Yau Yue which was acquired in May 2005. The management are of the view that the business growth in the PRC market in the near terms will depend largely on organic growth which may take a longer time to achieve than through acquisitions.

The Group also experienced pressure from the increase in operating costs. Gross profit margin dropped gradually from around 23% in 2002 to less than 20% in the first half of 2006. Fuel and oil charges continued to remain high, resulting in higher transportation and raw material costs. Labour costs and other overhead costs in the PRC

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also rose sharply in recent years. Interest rate hike has also created cost burden for the Group, particularly with the increased level of the Group's borrowings to finance the acquisitions made by the Group in 2005. Given that there is little sign that oil price and interest rate will return to a low level in the near future, we consider that the production, distribution and finance costs will continue to constrain the profitability of the Group in the near term. The potential appreciation in Renminbi will also post a threat on the future profitability of the Group whose principal operations are located in the PRC.

Intention of SNP Corp

SNP Corp is a leading regional printing company based in Singapore and listed on Singapore Exchange Securities Trading Limited. For the year ended 31 December 2005, SNP Corp recorded audited revenue of S\$468.81 million (equivalent to approximately HK\$2,291.35 million) and audited net profit after taxation attributable to shareholders of S\$15.19 million (equivalent to approximately HK\$74.24 million). Its audited net asset value was S\$185.76 million (equivalent to approximately HK\$907.92 million) as at 31 December 2005. It is the intention of SNP Corp to maintain the existing businesses of the Group upon successful privatisation of the Company and not to make any significant changes to the existing operating and management structure of the Group or cause major changes to the employment of employees of the Group. Further details of SNP Corp's intention on the future business of the Group are set out in the letter from the Board contained in Part I and the explanatory statement contained in Part IV of the Scheme Document.

4. Dividends paid to the Shareholders

No dividend was declared by the Company in 2001. During each of the four years ended 31 December 2005, the Company declared total dividends to the Shareholders in the amounts of HK\$0.05 per Share (interim dividend and final dividend of HK\$0.02 per Share and HK\$0.03 per Share respectively). No interim dividend was declared for the six months ended 30 June 2006.

As disclosed in the interim financial information of the Group contained in Part V of the Scheme Document, the Group's bank deposits and cash balance reduced from approximately HK\$154.53 million as at 31 December 2005 to approximately HK\$128.98 million as at 30 June 2006. Net current assets dropped slightly from approximately HK\$521.18 million as at 31 December 2005 to HK\$474.78 million as at 30 June 2006. Although the Company has in the past maintained a consistent dividend payment, it is uncertain whether such dividend payout will continue in the future.

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5. Assets, cash and indebtedness position, and net tangible assets of the Group

(i) Assets

The consolidated balance sheets of the Group as at 31 December 2005 and 30 June 2006 are set out in Part V of the Scheme Document. Total assets and net assets as at those dates are analysed as follows:

	Audited as at 31 December 2005		Unaudited as at 30 June 2006	
	<i>HK\$</i>		<i>HK\$</i>	
	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
Property, plant and equipment	593.11	28.97	571.61	29.08
Prepaid lease payments	114.54	5.60	114.20	5.81
Goodwill	169.81	8.30	169.81	8.64
Interests in associates	83.80	4.09	106.93	5.44
	<u>961.26</u>	<u>46.96</u>	<u>962.55</u>	<u>48.97</u>
Inventories	239.17	11.68	216.01	10.99
Trade and bills receivables	623.16	30.44	579.40	29.47
Prepayments, deposits and other receivables	61.86	3.02	74.34	3.78
Bank deposits and cash	154.53	7.55	128.98	6.56
Other current assets	7.11	0.35	4.47	0.23
	<u>1,085.83</u>	<u>53.04</u>	<u>1,003.20</u>	<u>51.03</u>
Total assets	2,047.09	<u>100.0</u>	1,965.75	<u>100.0</u>
Less:				
Bank borrowings due within one year	(240.50)		(212.97)	
Trade and bills payables	(175.88)		(151.50)	
Other payable and accruals	(98.81)		(118.51)	
Bank borrowings due after one year	(510.93)		(457.25)	
Finance lease obligations	(6.53)		(4.80)	
Amounts due to associates/minority shareholders	(32.20)		(23.41)	
Other liabilities	(33.38)		(38.59)	
	<u>(1,098.23)</u>		<u>(1,007.03)</u>	
Net assets	<u>948.86</u>		<u>958.72</u>	
Attributable to:				
Shareholders	918.82		925.54	
Minority interests	30.04		33.18	
	<u>948.86</u>		<u>958.72</u>	

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Property, plant and equipment, and prepaid lease payments

Property, plant and equipment of the Group include principally buildings, plant and machinery which are used in the printing business of the Group. Their respective net book value was approximately HK\$194.51 million and HK\$361.48 million as at 31 December 2005. The prepaid lease payments represent the value attributable to leasehold land in Hong Kong, the PRC and Thailand. Details of the Group's property interests are set out in the valuation report contained in Part VI of the Scheme Document. Based on the valuation prepared by Sallmanns, the attributable value of the Group's property interests as at 30 June 2006 was approximately HK\$233.38 million. We note from the valuation report prepared by Sallmanns that proper legal title documents for certain of the Group's properties are still outstanding and therefore for their purpose of preparing the valuation report, no commercial value have been attributed to these properties. Instead, the depreciated replacement costs for these properties amounting to approximately HK\$49.88 million have been indicated in the valuation report for reference. The aforesaid attributable valuation and depreciated replacement costs of all the Group's property interests of an aggregate amount of HK\$283.26 million represented a deficit of approximately HK\$14.42 million to the attributable net book value of the Group's property interests of approximately HK\$297.68 million as at 30 June 2006.

Inventories

The inventories of the Group represented approximately 11.68% and 10.99% of the Group's total assets as at 31 December 2005 and 30 June 2006 respectively. Such balance mainly consisted of raw materials such as paper.

Trade and bills receivables

The trade and bills receivables of the Group represented approximately 30.44% and 29.47% of the Group's total assets as at 31 December 2005 and 30 June 2006 respectively. The Group generally allows credit period of 90 to 180 days in accordance with the industry practice. As at 31 December 2005, the Group had trade and bills receivables of approximately HK\$345.74 million which were within the credit period, and approximately HK\$141.66 million which were overdue for not more than 30 days, which respectively represented approximately 55.48% and 22.73% of the trade and bills receivables balance. As at 30 June 2006, the Group had trade and bills receivables of approximately HK\$413.36 million which were within the credit period, and approximately HK\$82.20 million which were overdue for not more than 30 days, which respectively represented approximately 71.34% and 14.19% of the total trade and bills receivables balance.

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(ii) Cash and indebtedness position

The Group's cash position (including the pledged deposits) has improved slightly from approximately HK\$151.81 million as at 31 December 2004 to approximately HK\$154.53 million as at 31 December 2005. The Group's borrowings (including short term and long term bank borrowings and obligations under finance leases), on the other hand, have increased from approximately HK\$661.50 million as at 31 December 2004 to HK\$757.96 million as at 31 December 2005. The increased borrowings were mainly used to finance the acquisition of subsidiaries and plant and machinery. Cash and bank balances dropped to approximately HK\$128.98 million as at 30 June 2006, while borrowings (including short term and long term bank borrowings and obligations under finance leases) decreased to approximately HK\$675.02 million as at 30 June 2006, principally due to repayment of bank borrowings utilising cash generated from operating activities.

(iii) Net tangible asset value

The Group had audited consolidated net assets attributable to the Shareholders of approximately HK\$918.82 million as at 31 December 2005. Excluding the intangible assets of goodwill, the audited consolidated net tangible asset value of the Group attributable to the Shareholders as at 31 December 2005 was approximately HK\$748.55 million. The Share Offer Price of HK\$1.68 represents a premium of approximately 12.75% over the audited consolidated net tangible asset value of the Group attributable to the Shareholders of approximately HK\$1.49 per Share based on the aforesaid audited consolidated net tangible asset value of the Group attributable to the Shareholders and the issued share capital of 503,408,647 Shares as at 31 December 2005. Based on the unaudited consolidated net assets of the Group attributable to the Shareholders as at 30 June 2006 of approximately HK\$925.54 million and excluding the intangible assets of goodwill, the unaudited consolidated net tangible asset value of the Group attributable to the Shareholders as at 30 June 2006 was approximately HK\$755.26 million, representing a per Share value of approximately HK\$1.50 based on 503,408,647 Shares in issue as at that date. The Share Offer Price therefore represents a premium of 12.0% over the unaudited consolidated net tangible asset value attributable to the Shareholders of HK\$1.50 per Share as at 30 June 2006.

In the context of our advice on the Proposals, we have reassessed the adjusted unaudited consolidated net tangible asset (the "Reassessed NTAV") attributable to the Shareholders, calculated based on the unaudited consolidated net tangible asset of the Group as at 30 June 2006 described above and adjusted for the deficit attributable to the Shareholders arising from valuation or assessment of the properties of the Group. As discussed in the section headed "Property, plant and equipment, and prepaid lease payments" above, no commercial value have been attributed to certain of the Group's properties which have not been granted proper title ownership certificates. For the purpose of our analysis of the Reassessed NTAV, we have, for prudence sake, taken into

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account the corresponding depreciated replacement costs of these properties in addition to the attributable market value of the other properties of the Group. On this basis, the deficit attributable to the Shareholders arising from the valuation or assessment of the Group's property interests as at 30 June 2006 was approximately HK\$14.42 million. On this basis, the Reassessed NTAV would be approximately HK\$740.84 million, equivalent to approximately HK\$1.47 per Share based on 503,408,647 Shares in issue as at the Latest Practicable Date. The Share Offer Price of HK\$1.68 represents a premium of approximately 14.29% over the Reassessed NTAV per Share of HK\$1.47.

6. Comparisons

In considering the terms of the Proposals, we have compared the above premium of the Share Offer Price over the Reassessed NTAV per Share of approximately 14.29% to:

- (i) the premium or discounts of the market prices at which the Shares have been traded during 28 August 2003 (the date of release by the Group of its 2003 interim results) to the Last Trading Day to the Reassessed NTAV per Share; and
- (ii) the premium or discounts of the market price of shares of other listed companies engaging in businesses comparable to the Group to their underlying net tangible asset value per share attributable to their respective shareholders.

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(i) Historical premium or discounts of market price to net tangible asset value per Share

We have compared the closing price of the Shares since 28 August 2003 (the date of release by the Group of its 2003 interim results) against the then latest published consolidated net tangible asset value per Share attributable to the Shareholders, which we have assumed was generally available to the market from the date of the relevant annual or interim results announcements of the Company.

Period	Published consolidated net tangible asset value per Share attributable to the Shareholders# HK\$	Closing price per Share		Premium/(discount) of closing share price over/(to) consolidated net tangible asset value per Share attributable to the Shareholders	
		High	Low	Lowest	Highest
		HK\$	HK\$	%	%
28 August 2003* – 25 January 2004	1.76	1.50	1.18	(14.77)	(32.95)
26 January 2004* – 14 July 2004	1.79	1.53	1.00	(14.53)	(44.13)
15 July 2004* – 16 January 2005	1.80	1.20	1.00	(33.33)	(44.44)
17 January 2005* – 20 July 2005	1.54	1.66	1.13	7.79	(26.62)
21 July 2005* – 7 February 2006	1.49	1.41	1.05	(5.37)	(29.53)
8 February 2006* – the Last Trading Day	1.49	1.40	0.95	(6.04)	(36.24)

Notes:

* Being dates on which the Company announced its annual or interim results.

The figures are arrived at by deducting goodwill from consolidated net asset value figures.

Based on the analysis set out above, except for short intervals during the period of 17 January 2005 to 20 July 2005 when the Shares were traded at an around 7.79% premium, the Shares have been traded at discounts to their underlying consolidated net tangible asset value per Share attributable to the Shareholders ranging from 5.37% to 44.44% for the period from 28 August 2003 to the Last Trading Day. In view of the discounts recorded during most of the period from 28 August 2003 to the Last Trading Day, in our opinion, it is unlikely that such premium of approximately 14.29% over the Reassessed NTAV per Share represented by the Share Offer Price would be reflected in the market in the absence of the Proposals.

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(ii) Peer comparison

For the purpose of our assessment of the Share Offer Price, we have identified all the companies listed on the Main Board of the Stock Exchange which are principally engaged in businesses similar to those of the Group of printing and/or manufacturing packaging materials and paper products. For this purpose, we have identified five comparable companies (the “Comparable Companies”) as described below:

	Market capitalisation as at the Latest Practicable Date <i>HK\$ million</i> <i>(Note a)</i>
Cheong Ming Investments Limited (“Cheong Ming”) (stock code: 1196)	236.05
Chung Tai Printing Holdings Limited (“Chung Tai”) (stock code: 55)	418.67
Hung Hing Printing Group Limited (“Hung Hing”) (stock code: 450)	2,853.71
Midas International Holdings Limited (“Midas”) (stock code: 1172)	251.12
Starlite Holdings Limited (“Starlite”) (stock code: 403)	191.12
The Company	528.58 <i>(Note b)</i>

Notes:

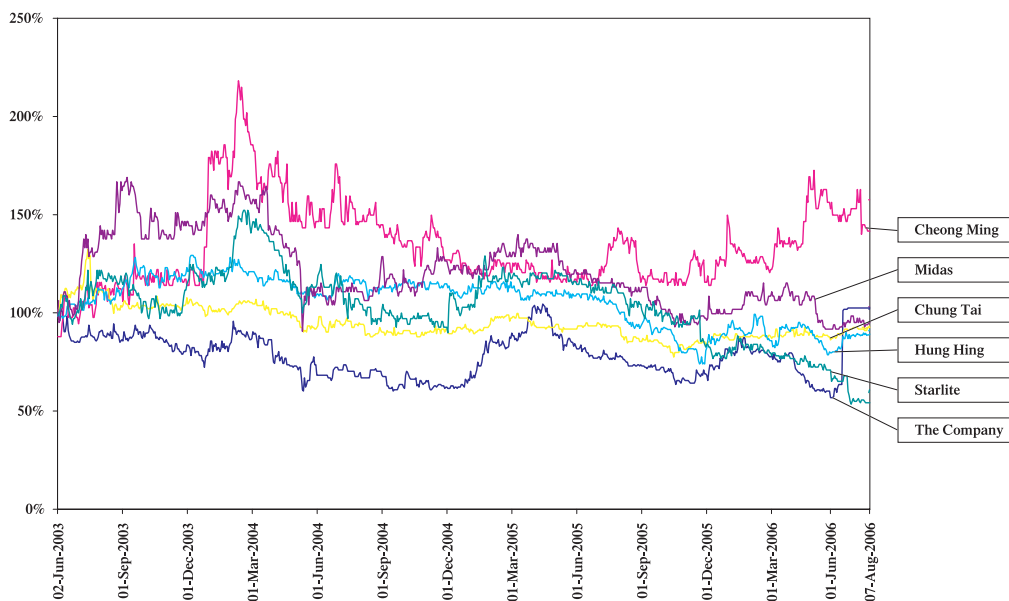
- (a) The market capitalisation of the Comparable Companies are sourced from Bloomberg.
- (b) We have taken the closing price of the Shares as at the Last Trading Day for the purpose of determining the market capitalisation of the Company. We have not referred to the price of the Shares as at the Latest Practicable Date because, in our opinion, it is unlikely that the recent significantly higher price level of the Shares will be sustained if the Proposals are withdrawn or lapse.

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Comparison of share price performance

Chart 1 below illustrates the share price performance of the Comparable Companies and the Company during the period from 1 June 2003 (approximately three years preceding the date of the Announcement) up to and including the Latest Practicable Date (the “Period”):

Chart 1



Source: Bloomberg

As illustrated above, the share price of the Company during most of the Period has under-performed the share prices of the Comparable Companies.

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Comparison of closing share price to consolidated net tangible asset value per share

	Closing price per share as at the Latest Practicable Date <i>HK\$</i> <i>(Note a)</i>	Consolidated net tangible asset value per share attributable to shareholders <i>HK\$</i> <i>(Note b)</i>	Financial year end date <i>(Note b)</i>	Premium/ (Discount) of closing share price over/(to) consolidated net tangible asset value per share attributable to shareholders %
Cheong Ming	0.485	0.79	31/3/2006	(38.61)
Chung Tai	1.26	1.67	31/3/2006	(24.55)
Hung Hing	4.75	3.39	31/3/2006	40.12
Midas	0.47	0.90	31/12/2005	(47.78)
Starlite	0.445	0.80	31/3/2006	(44.38)
Mean – for Comparable Companies trading at discount to consolidated net tangible assets (i.e. excludes Hung Hing)				(38.83)
Median				(38.61)
The Company – based on the Share Offer Price	1.68	1.47 <i>(Note c)</i>		14.29%

Notes:

- (a) The closing share price of the Comparable Companies as at the Latest Practicable Date are sourced from Bloomberg.
- (b) The consolidated net tangible asset value per share attributable to shareholders of the Comparable Companies are extracted from the latest published annual reports of the Comparable Companies available as at the Latest Practicable Date.
- (c) Based on the Reassessed NTAV of HK\$1.47 per Share.

As shown in the above, all the Comparable Companies, except Hung Hing, were traded at discounts to their underlying consolidated net tangible asset value per share attributable to shareholders in the range of approximately 24.55% to 47.78%. For Hung Hing, its closing share price represented a premium of approximately 40.12% over its consolidated net tangible asset value per share attributable to shareholders which may be attributable to its substantially larger size of operations in terms of turnover and total assets as compared to the other four Comparable

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Companies. The Share Offer Price of HK\$1.68 represents a premium of approximately 14.29% over the Reassessed NTAV per Share of HK\$1.47, which compares favourably against most of the Comparable Companies.

Comparison of historical price-earnings multiples

	Closing price per share as at the Latest Practicable Date HK\$ (Note a)	Audited basic earnings per share HK\$ (Note b)	Financial year end date (Note b)	Historical price earnings multiple times
Cheong Ming	0.485	0.0835	31/3/2006	5.81
Chung Tai	1.26	0.173	31/3/2006	7.28
Hung Hing	4.75	0.425	31/3/2006	11.18
Midas	0.47	0.081	31/12/2005	5.80
Starlite	0.445	0.0727	31/3/2006	6.12
Mean				7.24
Median				6.12
The Company – based on the Share Offer Price	1.68	0.1552	31/12/2005	10.82

Notes:

- (a) The closing share price of the Comparable Companies as at the Latest Practicable Date are sourced from Bloomberg.
- (b) The audited basic earnings per share of the Comparable Companies are extracted from the latest published annual reports of the Comparable Companies available as at the Latest Practicable Date.

As indicated in the table above, the historical price-earnings multiples of the Comparable Companies ranged from approximately 5.80 times to 11.18 times, with a mean and median of approximately 7.24 and 6.12 times respectively. The historical price-earnings multiple of the Company based on the Share Offer Price of approximately 10.82 times lies within such range and is higher than the mean and median of the price-earnings multiples of the Comparable Companies.

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Comparison of dividend yield

	Average dividend yield for the period from 1 June 2003 to 31 July 2006 <i>(Note)</i> %
Cheong Ming	7.92
Chung Tai	6.91
Hung Hing	5.30
Midas	7.74
Starlite	4.83
Mean	6.54
Median	6.91
The Company	3.99

Note: Being the average of the dividend yield (calculated on a monthly basis using the closing share price as at the relevant month-end date and the total dividend declared for the last financial year before the relevant month-end date) of the Comparable Companies and the Company during the period from 1 June 2003 to 31 July 2006 sourced from Bloomberg.

We note from the above table that the average dividend yield of the Shares during the aforesaid period lies at the low end of the range for the Comparable Companies and is lower than the mean and median of such range.

In the absence of the Proposals and having taken into consideration the historical discount of the Shares to the consolidated net tangible asset value per Share attributable to the Shareholders as discussed in paragraph (i) above, in our opinion, it is likely that the Share price will drop back to the previous level prior to the release of the Announcement at approximately HK\$1.05 per Share, which is equivalent to approximately 28.57% discount to the Reassessed NTAV per Share and 6.77 times price-earnings multiple on 2005 earnings.

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7. Share price and trading volume of the Shares

(i) Share price

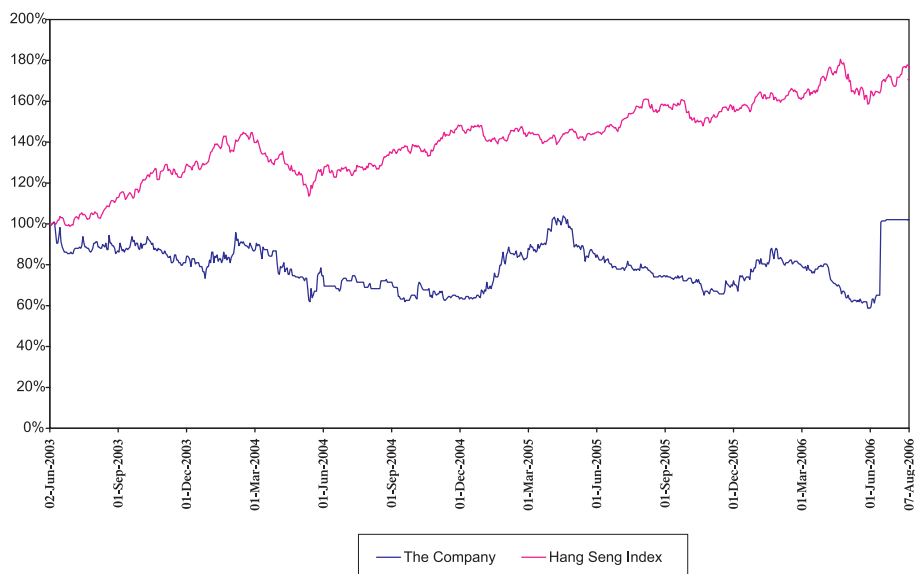
Chart 2 below illustrates the daily closing prices per Share as quoted on the Stock Exchange during the Period. Chart 3 below shows the relative performance of the Shares as compared to the Hang Seng Index during the same period.

Chart 2



Source: Bloomberg

Chart 3



Source: Bloomberg

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On 17 June 2003, the Company announced that SNP Corp entered into a sale and purchase agreement to acquire approximately 56.42% of the then issued share capital of the Company from the Company's then controlling Shareholder at a consideration of HK\$1.42 per Share, representing a discount of approximately 9.55% to the closing price of the Shares on 17 June 2003. Following the aforesaid announcement of a change of control of the Company and up to 12 November 2003, the Share prices fluctuated within a range of HK\$1.3 to HK\$1.51 per Share. Thereafter, the Shares were traded within the range of HK\$1.0 to HK\$1.53 per Share during the period from 13 November 2003 to 17 January 2005, which fluctuations were largely in line with the that of the Hang Seng Index during the same period. The closing price of the Shares was in an upward trend since early 2005 and surged to HK\$1.66 on 26 April 2005, which is the highest closing price per Share during the Period. We consider such rise might have been caused by the release by the Company of its 2004 annual results on 17 January 2005 which showed a profit attributable to the Shareholders (before the adoption of the Revised HKFRSs) of approximately HK\$50.48 million, representing a significant improvement from a profit of approximately HK\$27.99 million for 2003. The surge might have also been prompted by the positive reception by the market of the announcement of the Company in March 2005 of the acquisition by the Group of a 60% interest in SNP Yau Yue which is a profitable company engaged in the production of corrugated box and sheets in the PRC. Thereafter, the closing price of the Shares was in a downward trend which might have been caused by the one-for-four rights issue of the Company as announced on 25 May 2005. Since late November 2005, the closing price of the Shares rose gradually and hit HK\$1.41 on 1 February 2006 and 7 February 2006. Since then, the closing price of the Shares dropped to HK\$1.05 per Share on the Last Trading Day, which drop was largely in line with the performance of the Hang Seng Index during the same period. After the release of the Announcement on 28 June 2006, Share price surged to HK\$1.63 on 6 July 2006 and remained at that level up to the Latest Practicable Date.

As illustrated in Chart 3, the Shares have under-performed the Hang Seng Index throughout the Period.

The Share Offer Price represents:

- a premium of approximately 60.00% over the closing price of HK\$1.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 66.34% over the average closing price of approximately HK\$1.01 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days prior to and including the Last Trading Day;
- a premium of approximately 43.59% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days prior to and including the Last Trading Day;

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- a premium of approximately 43.59% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days prior to and including the Last Trading Day; and
- a premium of approximately 3.07% over the closing price of HK\$1.63 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Shares have been trading at a level below the Share Offer Price of HK\$1.68 per Share on the market at all times during the Period. In our opinion, the recent rise in Share price after the release of the Announcement reflects the terms of the Proposals and it is not likely that the market price of the Shares will remain at the current level if the Proposals are withdrawn or lapse.

(ii) Trading volume of the Shares

The following table sets out the total monthly trading volume of the Shares, and the percentage of the total monthly trading volume of the Shares to the total issued Shares during the Period:

	Total monthly trading volume of the Shares <i>(Note a)</i>	% of the total monthly trading volume of the Shares to the total issued Shares <i>(Note b)</i>
2003		
June	8,721,100	2.17%
July	44,152,000	10.96%
August	53,641,200	13.32%
September	10,724,000	2.66%
October	9,606,000	2.39%
November	4,259,000	1.06%
December	1,918,000	0.48%
2004		
January	3,546,000	0.88%
February	23,057,200	5.73%
March	5,450,000	1.35%
April	7,250,600	1.80%
May	1,816,000	0.45%
June	700,000	0.17%
July	208,000	0.05%
August	196,000	0.05%
September	1,234,000	0.31%
October	2,064,000	0.51%
November	4,184,000	1.04%
December	2,262,000	0.56%

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	Total monthly trading volume of the Shares <i>(Note a)</i>	% of the total monthly trading volume of the Shares to the total issued Shares <i>(Note b)</i>
2005		
January	20,164,200	5.01%
February	12,078,000	3.00%
March	18,266,001	4.54%
April	20,484,000	5.09%
May	8,860,100	2.20%
June	6,465,200	1.61%
July	8,005,663	1.59%
August	3,192,302	0.63%
September	1,145,305	0.23%
October	2,838,491	0.56%
November	8,628,880	1.71%
December	7,098,574	1.41%
2006		
January	12,180,000	2.42%
February	12,644,997	2.51%
March	4,537,500	0.90%
April	4,274,500	0.85%
May	5,658,500	1.12%
June	17,471,311	3.47%
July	7,722,574	1.53%
1 August to the Latest Practicable Date	116,000	0.02%

Notes:

(a) Source: Bloomberg.

(b) Based on the number of issued Shares at the end of each month (June 2003 to June 2005: 402,726,918 Shares; and July 2005 to the Latest Practicable Date: 503,408,647 Shares).

The monthly trading volume of the Shares were, in general, thin during the Period which represented less than 3% of the total issued Shares except for July and August 2003, February 2004, January 2005 to April 2005, and June 2006. The relatively higher trading volume in July and August 2003 were, in our view, likely to be related to the acquisition by SNP Corp of a controlling stake in the Company and the general offer made by SNP Corp for the Shares. The increase in trading volume in February 2004 might be attributable to the press announcement of the Company dated 6 February 2004 relating to the acquisition of further Shares by SNP Corp. The relatively higher trading volume noted from January 2005 to April 2005 might have been prompted by positive market reception to news relating to the Group such as the improvement of the Group's 2004 annual results announced on 17 January 2005 and the acquisition of a 60% interest in SNP Yau Yue announced on 18 March 2005. The sudden surge in the trading volume in June 2006 was likely due to the release of the Announcement.

PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Given the thin trading volume of the Shares in the past, in our view, the Scheme Shareholders who wish to sell a significant number of their Shares in the market at this level of liquidity may cause certain downward pressure on the market price of the Shares. The Proposals therefore represent an opportunity for the Scheme Shareholders to dispose of their entire holdings at the Share Offer Price if they so wish.

CONCLUSION AND RECOMMENDATION

The Share Proposal

The premium of the Share Offer Price over the Reassessed NTAV per Share of approximately 14.29% compares favourably to discounts of the closing prices of the Shares to its underlying consolidated net tangible asset value per Share attributable to the Shareholders ranging from 5.37% to 44.44% during most of the period from 28 August 2003 to the Last Trading Day and the premium of less than 8% in short intervals during the period. The Share Offer Price represents a price-earnings multiple of approximately 10.82 times based on 2005 results, which lies within the range of the multiples of the Comparable Companies of approximately 5.80 times to 11.18 times and is higher than the mean and median of such ratio for the Comparable Companies of approximately 7.24 times and 6.12 times respectively.

The Share Offer Price of HK\$1.68 per Scheme Share is substantially above the closing price of HK\$1.05 as quoted on the Last Trading Day. In particular, the premium offered by the Share Offer Price exceeds 60% and 40% for the 30-day average daily closing price, and 90-day and 180-day average daily closing price up to and including the Last Trading Day respectively.

In view of the above factors, we concur with the management's view that the Proposals, through which the Independent Shareholders will be able to dispose of their entire holding of the Shares at a substantial premium to then market prices prior to the release of the Announcement, represent an attractive opportunity for the Independent Shareholders to realise their investments.

The Option Proposal

The Option Offer Price for the Outstanding Options are determined by reference to the Share Offer Price of HK\$1.68 and the exercise prices of the Outstanding Options ranging from HK\$1.029 to HK\$1.597. On this basis, given our view that the terms of the Share Proposal are fair and reasonable, we consider that the terms of the Option Proposal to be fair and reasonable so far as the Optionholders are concerned.

Optionholders should note that the Option Proposal is conditional on the Share Proposal becoming effective. Moreover, should the Optionholders choose not to exercise the Options on or before the Option Record Date or not to accept the Option Proposal, their Options will lapse and determine on the day immediately following the Option Record Date. The Optionholders who wish to exercise the Options and accept the Share Proposal or to accept Option Proposal should note the proposed timetable for the Proposals as set out in the Scheme Document and take appropriate action accordingly.

**PART III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE**

Recommendation

Based on the above principal factors and reasons, we consider the terms of the Proposals are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend that the Independent Board Committee advises the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and Special General Meeting to approve and to implement the Proposals, and the Optionholders to accept the Option Proposal.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Beatrice Lung
Director – Corporate Finance

PART IV – EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 100 of the Companies Act.

SCHEME OF ARRANGEMENT FOR THE CANCELLATION OF THE SCHEME SHARES AND THE PAYMENT OF THE SHARE OFFER PRICE

INTRODUCTION

The Company was notified by SNP Corp on 24 June 2006 that SNP Corp entered into the Sale and Purchase Agreement with the Vendors on the same date to acquire in aggregate 23,324,000 Shares, representing approximately 4.63% of the entire issued share capital of the Company at a total consideration of HK\$39,184,320. The consideration was arrived at after arm's length negotiation amongst SNP Corp and the Vendors. Based on the total consideration paid by SNP Corp under the Sale and Purchase Agreement, the implied consideration paid by SNP Corp is equivalent to approximately HK\$1.68 per Share.

Completion took place on 5 July 2006. Following Completion, the Vendors do not have any interests in the issued share capital of the Company.

Save for the Sale and Purchase Agreement, neither SNP Corp nor any parties acting in concert with it has dealt in any Shares or any other securities convertible into Shares, including warrants, options or subscription rights, during the six months prior to the date of the Announcement.

Prior to Completion, SNP Corp was interested in approximately 70.93% of the Company. Following Completion, SNP Corp is interested in approximately 75.56% of the Company. On this basis, the public float of the Company (excluding the 3.46% interests held by Mr. Yang) amounts to approximately 20.98% as at the Latest Practicable Date. Application has been made by the Company to the Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules on the 25% minimum public float until the date of the withdrawal of the listing of the Shares on the Stock Exchange or such other date as considered appropriate by the Stock Exchange. On 24 July 2006, the Stock Exchange rejected the application made by the Company. The Company is in the process of seeking a review of its application by the Stock Exchange.

On 24 June 2006, SNP Corp requested the Board to put forward the Share Proposal to the Scheme Shareholders for cancellation of the Scheme Shares to effect the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act and informed the Board that it will make the Option Proposal to Optionholders for the cancellation of Outstanding Options in exchange for cash. Having reviewed the Share Proposal and the Option Proposal, the Board has agreed to put the Share Proposal forward to the Scheme Shareholders and the Option Proposal to the Optionholders.

If approved, the Scheme will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Special General Meeting.

The purpose of this Explanatory Statement is to explain the effects and terms of the Proposals and to give Scheme Shareholders and Optionholders other information which is relevant to the Proposals.

TERMS OF THE PROPOSALS

The Share Proposal

The Share Proposal is to privatise the Company by way of the Scheme involving the cancellation of all the Scheme Shares which will result in a reduction of the issued share capital of the Company under Section 46 of the Companies Act. In consideration for the cancellation, Scheme Shareholders will be entitled to receive the Share Offer Price, being HK\$1.68 per Scheme Share, in cash.

The Option Proposal

In accordance with the terms of the Share Option Scheme, Optionholders are entitled to exercise their Options, which confer rights to subscribe for Shares at a price range of HK\$1.029 to HK\$1.597 per Share, in full or in part at any time up to the Option Record Date. Shares issued upon exercise of the Options in accordance with the terms of the Share Option Scheme will form part of the Scheme Shares. Options which are not exercised in accordance with the terms of the Share Option Scheme, or in relation to which the Option Proposal is not accepted within the relevant time period, will lapse.

Under the Option Proposal, SNP Corp will offer to purchase Outstanding Options, for cancellation in exchange for cash (being the difference between the exercise price and the Share Offer Price) for each Outstanding Option, subject to and conditional upon the Scheme becoming effective. Optionholders should note that SNP Corp has agreed to make the Option Proposal for all the Outstanding Options regardless of whether they have vested or not. All Optionholders are advised to pay attention to the “Sample of Letter to Optionholders” as set out in Appendix I on pages 182 to 188 of this Scheme Document.

No set-off of consideration

The consideration to which any Shareholder is entitled under the Proposals will be paid in full in accordance with the terms of the Proposals without regard to any lien, right of set-off, counterclaim or other analogous right to which SNP Corp may otherwise be, or claim to be, entitled against such Shareholder.

CONDITIONS OF THE PROPOSALS

The Share Proposal will become effective and binding on the Company and all Scheme Shareholders subject to fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme by a majority in number of the Scheme Shareholders, representing not less than three-fourths in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting, provided that:
 - the Scheme is approved by at least 75% of the votes attaching to Scheme Shares held by Independent Shareholders that are cast either in person or by proxy at the Court Meeting (by way of poll); and

PART IV – EXPLANATORY STATEMENT

- the number of votes cast against the resolution to approve the Scheme at the Court Meeting (by way of poll) is not more than 10% of the votes attaching to all Scheme Shares held by Independent Shareholders;
- (b) the passing at an extraordinary general meeting of a resolution by the shareholders of SNP Corp approving the making of the Proposals or the obtaining of a waiver from the Singapore Exchange Securities Trading Ltd. that no such approval is required;
- (c) the passing of a special resolution at the Special General Meeting to approve and give effect to, inter alia, the cancellation of the Scheme Shares and the reduction of the relevant portion of the issued share capital of the Company by a majority of at least three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the Special General Meeting;
- (d) the sanction of the Scheme (with or without modifications) by the Supreme Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Supreme Court for registration;
- (e) the compliance with the procedural requirements of Section 46 of the Companies Act in relation to the reduction of the issued share capital of the Company as regards the Scheme Shares;
- (f) all other Authorisations in connection with the Share Proposal having been obtained from the Relevant Authorities in Bermuda, Hong Kong and other relevant jurisdictions;
- (g) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for in these conditions, or is in addition to the requirements expressly so provided for, in relevant laws, rules, regulations or codes in connection with the Share Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (h) all necessary third party consents which are required under contractual obligations of the Company and/or any of its subsidiaries having been obtained.

SNP Corp reserves the right to waive condition (h) either in whole or in part in respect of any particular matter. In the event that condition (f) or (g) is not fulfilled by reason of an Authorisation not having been obtained, SNP Corp reserves the right to assess the materiality of such non-fulfillment and to waive the fulfillment of such condition(s) to such extent where it considers appropriate. Conditions (a) to (e) cannot be waived in any event. SNP Corp may only invoke any or all of conditions (f) to (h) as a basis for not proceeding with the Scheme

PART IV – EXPLANATORY STATEMENT

if the provisions of Note 2 to Rule 30.1 of the Takeovers Code are satisfied. Note 2 to Rule 30.1 of the Takeovers Code provides that an offeror should not invoke any condition (other than the acceptance condition) so as to cause the offer to lapse unless the circumstances which gives rise to the right to invoke the condition are of material significance to SNP Corp in the context of the offer. The waiver or invoking by SNP Corp of any condition in accordance with the terms of this paragraph shall not be subject to the Company's agreement, approval or consent. The Company has no right to waive any of the conditions.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before 31 December 2006 (or such later date as SNP Corp and the Company may agree or (to the extent applicable) as the Supreme Court may direct and as may be permitted by the Takeovers Code), failing which the Scheme will lapse.

As at the Latest Practicable Date, condition (b) has been fulfilled.

The implementation of the Option Proposal will be conditional upon the Share Proposal becoming effective.

FINANCIAL EFFECTS OF THE SHARE PROPOSAL AND THE OPTION PROPOSAL

Capital value

The Share Offer Price represents:

- a premium of approximately 66.34% over the average closing price of approximately HK\$1.01 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days prior to and including the Last Trading Day;
- a premium of approximately 60.00% over the closing price of HK\$1.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 3.07% over the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 43.59% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days prior to and including the Last Trading Day;
- a premium of approximately 43.59% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days prior to and including the Last Trading Day;
- an implied price to earnings multiple of 10.82 times, based on the basic earnings per Share of HK15.52 cents for the year ended 31 December 2005 and the weighted average of 453,534,504 Shares in issue for the year ended 31 December 2005;

PART IV – EXPLANATORY STATEMENT

- a premium of approximately 12.75% to the audited consolidated net tangible asset value per Share of approximately HK\$1.49 as at 31 December 2005 based on 503,408,647 Shares in issue; and
- a premium of approximately 12% to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.50 as at 30 June 2006 based on 503,408,647 Shares in issue.

A summary of the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date is set out in Part VII of this Scheme Document.

Net tangible assets

As at 31 December 2005, the audited consolidated net tangible assets of the Group amounted to approximately HK\$748.55 million, or approximately HK\$1.49 per Share based on 503,408,647 Shares in issue. The Share Offer Price represents a premium of approximately 12.75% to the audited consolidated net asset value per Share as at 31 December 2005.

As at 30 June 2006, the unaudited consolidated net tangible assets of the Group amounted to approximately HK\$755.26 million, or approximately HK\$1.50 per Share based on 503,408,647 Shares in issue. The Share Offer Price represents a premium of approximately 12% to the unaudited consolidated net asset value per Share as at 30 June 2006.

For the purpose of this Scheme Document, consolidated net tangible assets means the aggregate of the amount paid up on the issued share capital and the consolidated capital and revenue reserves (including but not limited to the share premium account and retained profits) but after deducting all minority interests in subsidiaries and the value of intangible assets.

Earnings

The Group's audited consolidated profit attributable to the Shareholders for the year ended 31 December 2005 amounted to approximately HK\$70.37 million, representing basic earnings of approximately HK15.52 cents per Share based on the weighted average of 453,534,504 Shares in issue for the year ended 31 December 2005.

The Group's unaudited consolidated profit attributable to the Shareholders for the six month period ended 30 June 2006 amounted to approximately HK\$13.13 million, representing earnings of approximately HK2.61 cents per Share based on the weighted average of 503,408,647 Shares in issue for the six months ended 30 June 2006.

Dividends

The Company paid an interim dividend of HK2 cents for the six months ended 30 June 2005 on 25 August 2005 and a final dividend of HK3 cents for the year ended 31 December 2005 on 11 April 2006. The Board has resolved not to recommend an interim dividend for the six months ended 30 June 2006.

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OTHER EFFECTS OF THE SHARE PROPOSAL AND THE OPTION PROPOSAL

As at the Latest Practicable Date, there are 503,408,647 Shares in issue. SNP Corp and parties acting in concert with it are beneficially interested in 380,381,985 Shares (including the Sale Shares), representing approximately 75.56% of the issued share capital of the Company. The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Scheme becoming effective and the listing of Shares on the Stock Exchange is withdrawn:

Shareholders	As at the Latest Practicable Date		Immediately after the Scheme becoming effective	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
SNP Corp	380,381,985	75.56%	380,381,985	100.00%
Mr. Yang	17,414,867	3.46%	–	–
Other Scheme Shareholders	<u>105,611,795</u>	<u>20.98%</u>	<u>–</u>	<u>–</u>
Total	<u><u>503,408,647</u></u>	<u><u>100.00%</u></u>	<u><u>380,381,985</u></u> <i>(Note)</i>	<u><u>100.00%</u></u>

Note: Immediately after the Scheme becoming effective, the Scheme Shares will be cancelled and the issued share capital of the Company will be reduced accordingly pursuant to Section 46 of the Companies Act.

Upon the Scheme becoming effective and the withdrawal of listing of Shares on the Stock Exchange, the Company will become a wholly owned subsidiary of SNP Corp.

The Company has 6,758,750 Outstanding Options as at the Latest Practicable Date. Each Option, on exercise, will entitle the Optionholder to be allotted with one Share. As at the Latest Practicable Date, parties acting in concert with SNP Corp held in aggregate 1,725,000 Options. The table below sets out details of the Options as at the Latest Practicable Date:

Optionholders	Number of Options
Yeo Chee Tong, an executive Director <i>(Note)</i>	1,725,000
Other employees of the Company	<u>5,033,750</u>
Total	<u><u>6,758,750</u></u>

Note: Yeo Chee Tong is presumed to be acting in concert with SNP Corp as he is a director of SNP Corp.

Save as disclosed above, there were no outstanding options, warrants, derivatives or other securities issued by the Company that carried a right to subscribe for or which were convertible into Shares and no other Director had any interest in Shares, as at the Latest Practicable Date.

PART IV – EXPLANATORY STATEMENT

FINANCING

SNP Corp has arranged internal resources and/ or external borrowings to effect the Proposals. SNP Corp's financial adviser, CIMB-GK Securities (HK) Limited, is satisfied that sufficient financial resources are available to SNP Corp for the full implementation of the Proposals.

INFORMATION ON THE GROUP

The principal activities of the Group comprise printing books, magazines, pop-up books and packaging products.

The Group is primarily involved in printing books, magazines and packaging products. It has diversified printing and packaging operations that offers one-stop service to its customers, offering pre-press printing to post printing and related distribution services. The major businesses of the Group include case-bound books, children books, pop-up books, colour magazines, commercial printing and corrugated boxes. Headquartered in Hong Kong, the Group owns and operates unique production facilities in various cities in the PRC and Thailand.

A summary of the audited consolidated results of the Group for the two years ended 31 December 2005 and the unaudited consolidated results of the Group for the six months ended 30 June 2005 and 30 June 2006 is set out below:

	(Audited)		(Unaudited)	
	For the year ended		For the	
	31 December		six months ended	
	2005	2004	2006	2005
	<i>HK\$ in millions</i>		<i>HK\$ in millions</i>	
Turnover	1,700.06	974.15	765.74	703.16
Net profit attributable to shareholders	70.37	50.22	13.13	30.17

The unaudited consolidated net assets of the Group were approximately HK\$925.54 million as at 30 June 2006.

INFORMATION ON SNP CORP

SNP Corp is a leading regional printing company based in Singapore whose shares are listed on Singapore Exchange Securities Trading Limited.

In addition to the operations of the Group, SNP Corp and its other subsidiaries are principally engaging in security, financial as well as commercial printing. The product range includes smart cards, passports, financial circulars/prospectuses and cheques.

PART IV – EXPLANATORY STATEMENT

The shares of SNP Corp are listed on the mainboard of the Singapore Exchange Securities Trading Ltd. For the year ended 31 December 2005, SNP Corp recorded audited revenue of S\$468.81 million (equivalent to approximately HK\$2,291.35 million) and audited net profit after taxation attributable to shareholders of S\$15.19 million (equivalent to approximately HK\$74.24 million). Its audited net asset value was S\$185.76 million (equivalent to approximately HK\$907.92 million) as at 31 December 2005.

SNP Corp is beneficially owned as to (i) 54.27% by Green Dot Capital Pte Ltd, a wholly-owned subsidiary of Temasek Capital (Private) Ltd, which, in turn, is wholly-owned by Temasek Holdings (Private) Limited, and (ii) the remaining 45.73% by public shareholders.

The board of directors of SNP Corp comprises Messrs. John Robert Walter (*also an independent non-executive director of the Company*), Yeo Chee Tong (*also an executive director of the Company*), Edmund, Cheng Wai Wing (*also an independent non-executive director of the Company*), Edmund, Koh Kian Chew and Alexander, Chan Meng Wah.

REASONS FOR AND BENEFITS OF THE PROPOSALS

The average monthly trading volume of the Shares has been thin recently, resulting in the low liquidity of the Shares. The average daily trading volume for the month preceding the date of the Announcement of approximately 68,111 Shares represents less than 0.01% of the total issued share capital of the Company. Since SNP Corp already owns approximately 75.56% of the Company (including the Sale Shares) as at the Latest Practicable Date, the directors of SNP Corp believe that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of SNP Corp. In addition, Shareholders should note that no discussion has been taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by SNP Corp and SNP Corp intends to continue the Company's businesses.

In addition, SNP Corp believes that the ability of the Company to take advantage of being a listed company to raise funds from the equity market is limited and any such fund raising exercise would result in an unattractive level of dilution for all Shareholders. Furthermore, SNP Corp believes that the costs associated with the maintenance of the Company's listing on the Stock Exchange and the Company's status as a publicly listed company are no longer justified.

As the Share Offer Price represents a premium of approximately 60.00%, approximately 66.34%, approximately 43.59% and approximately 43.59% over the 1-day, 30-day, 90-day and 180-day average closing price per Share prior to the Last Trading Day respectively, the directors of SNP Corp believe that the Proposal will provide an opportunity for all Scheme Shareholders to realise their investment in the Company at a premium to the prevailing market price of the Shares. SNP Corp also believes that the Share Offer Price is also significantly in excess of any price Scheme Shareholders may obtain from open market sale under current market conditions. In the absence of the Share Proposal, SNP Corp considers it unlikely that market sentiment towards the Shares will improve significantly in the foreseeable future.

INTENTIONS OF SNP CORP

It is the intention of SNP Corp to maintain the existing businesses of the Group upon successful privatisation of the Company. SNP Corp does not intend to introduce any major changes to the existing operating and management structure of the Group, or to cause major changes to the employment of employees of the Group, as a result of the implementation of the Proposals. SNP Corp will, however, be solely responsible for the funding or procuring funding for the on-going requirements of the Group's business after the successful implementation of the Proposals. SNP Corp intends to retain the Company's existing senior management team to manage the Company after completion of the Proposals.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. Scheme Shareholders will be notified by way of a press announcement of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. SNP has no intention to seek listing of the Shares on another stock exchange upon implementation of the Scheme and withdrawal of listing of the Shares from the Stock Exchange.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and share certificates for the Scheme Shares will cease to have effect as documents of evidence of title and should be returned to the Company for cancellation.

OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Share Proposal and the Option Proposal to Scheme Shareholders and Optionholders, respectively, who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and Optionholders are located. Such Scheme Shareholders and Optionholders should observe any applicable legal and regulatory requirements. It is the responsibility of any overseas Scheme Shareholder wishing to accept the Share Proposal and any overseas Optionholder wishing to accept the Option Proposal to satisfy itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Share Proposal and, in particular, whether the receipt of the Share Offer Price would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

COSTS OF THE SCHEME

In the event the Scheme becomes effective, the costs of the Scheme will be borne by SNP Corp. The costs of the Scheme and of its implementation to the Company are expected to amount to approximately HK\$4.0 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

In the event the Scheme is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the Independent Financial Adviser, and the Scheme is not approved at the relevant Meeting(s), all the expenses incurred by the Company in connection with the Scheme shall be borne by SNP Corp.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will accordingly cease to have effect as documents or evidence of title.

Conditional upon, amongst other conditions, the approval of the Scheme by the Scheme Shareholders at the Court Meeting and the passing of the special resolution to approve the capital reduction arising as a result of the Scheme by the Shareholders at the Special General Meeting, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on 18 September 2006 and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:30 a.m. on 27 September 2006.

Shareholders will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective by press announcement.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on 22 September 2006, it is proposed to close the register of members of the Company from 22 September 2006 to 25 September 2006 (or such other date as may be notified to Scheme Shareholders by press announcement) in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the relevant transfer documentation for their Shares is lodged with the Registrar for registration in their names or in the names of their nominees before the closure of the register of members of the Company. The Registrar is Tengis Limited which is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Upon the Scheme becoming effective, cheques for cash entitlements under the Scheme will be sent to the holders of Scheme Shares whose names appear on the register of members of the Company at 4:00 p.m. (Hong Kong time) on the Scheme Record Date. In the case of joint holders, cheques for cash entitlements will be sent to the holder whose name first appears in respect of such holdings in the register of members of the Company at 4:00 p.m. on the Scheme Record Date.

Cheques in respect of the Share Offer Price are expected to be sent out to the holders of Scheme Shares as soon as possible but in any event not later than 10 calendar days after the Effective Date. Assuming that the Scheme becomes effective on 25 September 2006, cheques for cash entitlements under the Scheme are expected to be despatched on or before 4 October 2006. In the absence of any specific instructions to the contrary received in writing by the Registrar, cheques for cash entitlements under the Scheme will be sent by ordinary post in prepaid envelopes addressed to the persons entitled thereto at their respective registered addresses on the register of members of the Company or, in the case of joint holders, to the registered address of that joint holder whose name first appears on the register of members in respect of the joint holding. All such cheques will be sent at the risk of the holders of the Scheme Shares and neither SNP Corp nor the Company will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, SNP Corp will have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and will place all such monies in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company will hold such monies until the expiry of six years from the Effective Date and will, prior to such date, make payments out of the sums (with interest in accordance with Clause 3(e) of the Scheme) payable pursuant to Clause 2 of the Scheme to persons who satisfy the Company that they are respectively entitled thereto and that the cheques referred to in Clause 3(b) of the Scheme of which they are payees have not been cashed.

On the expiry of six years from the Effective Date, SNP Corp will be released from any further obligation to make any payments under the Scheme and the Company will thereafter transfer to SNP Corp the balance (if any) of the sums then standing to the credit of the deposit account referred to in Clause 3(e) of the Scheme including accrued interest subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

PAYMENTS TO OPTIONHOLDERS

The Letter to Optionholders setting out the terms and conditions including the payment procedures of the Option Proposal is being despatched today separately to each of the Optionholders. Optionholders should refer to those letters, which are substantially in the form set out in Appendix 1 of this Scheme Document. Optionholders should also note the instructions and terms printed on the Optionholder Form of Acceptance.

MEETINGS

In accordance with the direction of the Supreme Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). In so far as the sanction of the Scheme by the Supreme Court is concerned, such a resolution will be deemed to have been passed if a majority in number representing three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. Such a resolution will only be considered to have been passed under the Takeovers Code if (i) the Scheme is approved by at least 75% of the votes attaching to the Scheme Shares of the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the Scheme Shares held by all of the Independent Shareholders. Based on 123,026,662 Scheme Shares held by the Independent Shareholders as at the Latest Practicable Date, 10% of such Scheme Shares amounted to 12,302,666 Scheme Shares.

Immediately following the Court Meeting, the Special General Meeting will be convened for the purpose of considering and, if thought fit, passing a special resolution to approve the capital reduction arising as a result of the Scheme. The special resolution will be passed provided that it is approved by a majority of at least three-fourths of the votes cast by the Shareholders present and voting in person or by proxy, at the Special General Meeting. All Shareholders will be entitled to attend and vote on such a special resolution at the Special General Meeting.

As at the Latest Practicable Date, SNP Corp and parties acting in concert with it were beneficially interested in 380,381,985 Shares (including the Sale Shares), representing approximately 75.56% of the issued share capital of the Company. Such Shares held by SNP Corp will not form part of the Scheme Shares. SNP Corp and any parties acting in concert with it cannot vote at the Court Meeting but will vote or will procure the voting of their beneficial interests in the Company in favour of the special resolution to be proposed at the Special General Meeting to approve and give effect to the cancellation of the Scheme Shares and the reduction of the relevant portion of the issued share capital of the Company.

For the purpose of determining entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the entitlements of Shareholders to attend and vote at the Special General Meeting, the registers of members of the Company in Hong Kong and Bermuda will be closed from Wednesday, 30 August 2006 to Wednesday, 6 September 2006

PART IV – EXPLANATORY STATEMENT

(both days inclusive). During such period no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and at the Special General Meeting, Shareholders should ensure that the relevant transfer documentation for their Shares is lodged with the Registrar for registration in their names or in the names of their nominees before the closure of the registers of members of the Company. The Registrar is Tengis Limited which is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Notices of the Meetings are set out on pages 178 to 181 of this Scheme Document. The Meetings will be held on Wednesday, 6 September 2006 at Hennessy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong at the respective times specified in such notices in Parts IX and X of this Scheme Document.

ACTION TO BE TAKEN BY INDEPENDENT SHAREHOLDERS

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Special General Meeting are enclosed with this Scheme Document.

Whether or not you are able to attend the Meetings in person, the Scheme Shareholders for the Court Meeting are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and also the enclosed white form of proxy in respect of the Special General Meeting, in accordance with the instructions printed respectively on them and to lodge them with the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong, marked "For the attention of the Company Secretary, Privatisation of the Company" as soon as possible, but in any case not later than the following respective times. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 9:00 a.m. on Monday, 4 September 2006 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Special General Meeting must be lodged not later than 10:00 a.m. on Monday, 4 September 2006.

The completion and return of a form of proxy for the Court Meeting or the Special General Meeting will not preclude you from attending the relevant Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

Shareholders who hold their Shares in CCASS

No person shall be recognised by the Company as holding any Shares on trust. Any beneficial owner of the Shares ("Beneficial Owner") whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party ("Registered Owner") should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the Special General Meeting. A Beneficial Owner who wishes to attend the Court Meeting and/or the Special General Meeting personally should contact the Registered Owner directly to make the

PART IV – EXPLANATORY STATEMENT

appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the Special General Meeting and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner to attend and vote at the relevant Court Meeting and/or the Special General Meeting shall be made in accordance with all relevant provisions in the bye-laws of the Company. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant (the “Investor Participant”), contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant (“Other CCASS Participant”) regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

RECOMMENDATIONS

In accordance with Rule 2.1 of the Takeovers Code, an Independent Board Committee, comprising Mr. Joseph, Lai Ming and Ms. Alice, Kan Lai Kuen, both independent non-executive directors of the Company, has been appointed to advise Independent Shareholders and Optionholders in respect of the Share Proposal and the Option Proposal, respectively. The remaining independent non-executive Directors, namely Mr. Edmund, Cheng Wai Wing and Mr. John Robert Walter are not deemed to be independent because they are also directors of SNP Corp and are therefore not eligible to be members of the Independent Board Committee.

The Independent Board Committee has considered the terms of the Proposals and taken into account the opinion and advice of the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in its letter on pages 21 to 45 of this Scheme Document. The Independent Board Committee’s recommendation is set out in the “Letter from the Independent Board Committee” on pages 19 and 20 of this Scheme Document.

FURTHER INFORMATION

Certain Directors, namely Mr. John Robert Walter, Mr. Yeo Chee Tong, and Mr. Edmund, Cheng Wai Wing are also directors of SNP Corp. As such, such Directors may be regarded as having interests in the Proposals which are different from the interests of the other Directors.

Further information is set out in the other parts of this Scheme Document, all of which form part of this Explanatory Statement.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

1. THREE-YEAR FINANCIAL SUMMARY

The following information is based on the audited consolidated financial statements of the Group for the three years ended 31 December 2003, 2004 and 2005, which were audited by the Company's external auditors, Deloitte Touche Tohmatsu, Certified Public Accountants. The auditors' reports issued by Deloitte Touche Tohmatsu as set out in the annual reports of the Company for each of the three years ended 31 December 2005 were unqualified.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "Revised HKFRSs") taking effect for accounting periods beginning on or after 1 January 2005. The 2003 and 2004 figures shown in the summary below have been restated in accordance with the Revised HKFRSs.

	For the year ended 31 December		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)	(Restated)	
Revenue	734,586	974,147	1,700,060
Cost of sales	<u>(573,076)</u>	<u>(748,024)</u>	<u>(1,359,516)</u>
Gross profit	161,510	226,123	340,544
Other operating income	4,235	8,439	8,107
Selling and distribution costs	(46,886)	(90,761)	(152,436)
Administrative expenses	(72,279)	(91,135)	(97,673)
Amortisation of goodwill arising from the acquisition of subsidiaries	–	(4,647)	–
Surplus on revaluation of investment properties	960	7,525	–
Gain (loss) on disposal of property, plant and equipment	(268)	1,308	2,065
Loss on disposal of investment properties	(951)	–	–
Impairment loss recognised in respect of plant and machinery	<u>(13,370)</u>	<u>–</u>	<u>–</u>
Profit from operations	32,951	56,852	100,607
Finance costs	(3,459)	(4,111)	(26,594)
Share of results of associates	3,573	3,858	3,544
Amortisation of goodwill arising from the acquisition of an associate	<u>(403)</u>	<u>(403)</u>	<u>–</u>
Profit before tax	32,662	56,196	77,557
Income tax expenses	<u>(9,944)</u>	<u>(5,697)</u>	<u>(3,086)</u>
Profit for the year	<u><u>22,718</u></u>	<u><u>50,499</u></u>	<u><u>74,471</u></u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	For the year ended 31 December		
	2003	2004	2005
	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>
Attributable to:			
Equity holders of the parent	22,435	50,216	70,368
Minority interests	283	283	4,103
	<u>22,718</u>	<u>50,499</u>	<u>74,471</u>
Dividends			
Interim	8,055	8,055	10,068
Proposed final	12,082	12,082	15,102
	<u>20,137</u>	<u>20,137</u>	<u>25,170</u>
Earnings per share (<i>Note</i>)			
Basic	<u>HK5.57 cents</u>	<u>HK12.26 cents</u>	<u>HK15.52 cents</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the parent of HK\$70,368,000 for the year ended 31 December 2005 (2004: HK\$50,216,000 as restated; 2003: HK\$22,435,000 as restated) and the weighted average of 453,534,504 shares (2004: 409,573,275 shares as restated; 2003: 402,726,918 shares) in issue for the year ended 31 December 2005.

No diluted earnings per share have been presented because the exercise prices (as adjusted for the effect of share-based payments) of the Company's options were higher than the average market prices of the shares for the three financial years ended 31 December 2005.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2005

The following information has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2005, the page numbers in the statements below refer to the 2005 annual report of the Company:

Consolidated Income Statement

For the year ended 31 December 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Revenue	6	1,700,060	974,147
Cost of sales		<u>(1,359,516)</u>	<u>(748,024)</u>
Gross profit		340,544	226,123
Other operating income		8,107	8,439
Selling and distribution costs		(152,436)	(90,761)
Administrative expenses		(97,673)	(91,135)
Amortisation of goodwill arising from the acquisition of subsidiaries		–	(4,647)
Surplus on revaluation of investment properties		–	7,525
Gain on disposal of property, plant and equipment		2,065	1,308
Finance costs	8	(26,594)	(4,111)
Share of results of associates		3,544	3,858
Amortisation of goodwill arising from the acquisition of an associate		<u>–</u>	<u>(403)</u>
Profit before tax	9	77,557	56,196
Income tax expenses	10	<u>(3,086)</u>	<u>(5,697)</u>
Profit for the year		<u>74,471</u>	<u>50,499</u>
Attributable to:			
Equity holders of the parent		70,368	50,216
Minority interests		<u>4,103</u>	<u>283</u>
		<u>74,471</u>	<u>50,499</u>
Dividends	12		
Interim		10,068	8,055
Proposed final		<u>15,102</u>	<u>12,082</u>
		<u>25,170</u>	<u>20,137</u>
Earnings per share	13		
Basic		<u>15.52 cents</u>	<u>12.26 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

Consolidated Balance Sheet

At 31 December 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Non-current assets			
Property, plant and equipment	<i>14</i>	593,112	554,052
Prepaid lease payments	<i>15</i>	114,539	114,368
Goodwill	<i>16</i>	169,807	134,602
Interests in associates	<i>18</i>	83,801	82,877
		961,259	885,899
Current assets			
Inventories	<i>19</i>	239,165	207,373
Trade and bills receivables	<i>20</i>	623,158	417,282
Prepaid lease payments	<i>15</i>	934	923
Prepayments, deposits and other receivables		60,925	61,338
Tax recoverable		2,973	8,313
Held-for-trading investments	<i>21</i>	4,144	–
Other investments	<i>22</i>	–	622
Pledged bank deposits	<i>23</i>	630	–
Bank balances and cash		153,904	151,812
		1,085,833	847,663
Current liabilities			
Trade and bills payables	<i>24</i>	175,881	147,176
Other payables and accruals		98,809	128,341
Tax liabilities		8,108	15,410
Amount due to SNP Group	<i>37</i>	832	1,971
Amounts due to associates	<i>37</i>	24,102	13,862
Amounts due to minority shareholders	<i>38</i>	8,096	–
Bank borrowings – due within one year	<i>25</i>	240,503	158,881
Obligations under finance leases			
– due within one year	<i>26</i>	3,432	1,333
Derivative financial instruments	<i>27</i>	4,893	1,201
		564,656	468,175
Net current assets		521,177	379,488
Total assets less current liabilities		1,482,436	1,265,387

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Non-current liabilities			
Bank borrowings – due after one year	25	510,925	500,000
Obligations under finance leases			
– due after one year	26	3,095	1,290
Deferred tax liabilities	28	19,553	16,721
		<u>533,573</u>	<u>518,011</u>
		<u>948,863</u>	<u>747,376</u>
Capital and reserves			
Share capital	29	50,341	40,273
Reserves		868,483	704,448
		<u>918,824</u>	<u>744,721</u>
Equity attributable to equity holders of the parent		918,824	744,721
Minority interests		30,039	2,655
		<u>948,863</u>	<u>747,376</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Attributable to equity holders of the parent											
	Share capital	Share premium account	Property revaluation reserve	Capital redemption reserve	Translation reserve	Share options reserve	Reserve fund	Dividend reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004 as originally stated	40,273	326,493	11,686	2,515	(4,636)	–	5,069	12,082	328,239	721,721	–	721,721
Effect of changes in accounting policies (see Note 2)	–	–	(10,147)	–	–	62	–	–	(62)	(10,147)	2,410	(7,737)
At 1 January 2004 as restated	40,273	326,493	1,539	2,515	(4,636)	62	5,069	12,082	328,177	711,574	2,410	713,984
Exchange differences on translation of overseas operations and net income recognised directly in equity	–	–	–	–	2,802	–	–	–	–	2,802	–	2,802
Profit for the year	–	–	–	–	–	–	–	–	50,216	50,216	283	50,499
Transfer of retained profits	–	–	–	–	–	–	10,442	–	(10,442)	–	–	–
Total recognised income and expenses for the year	–	–	–	–	2,802	–	10,442	–	39,774	53,018	283	53,301
Recognition of equity settled share based payment	–	–	–	–	–	266	–	–	–	266	–	266
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(283)	(283)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	245	245
Final 2003 dividend paid	–	–	–	–	–	–	–	(12,082)	–	(12,082)	–	(12,082)
Interim 2004 dividend paid	–	–	–	–	–	–	–	–	(8,055)	(8,055)	–	(8,055)
Proposed final 2004 dividend	–	–	–	–	–	–	–	12,082	(12,082)	–	–	–
At 31 December 2004 and 1 January 2005 as restated	40,273	326,493	1,539	2,515	(1,834)	328	15,511	12,082	347,814	744,721	2,655	747,376
Exchange differences on translation of overseas operations and net income directly recognised in equity	–	–	–	–	4,727	–	–	–	–	4,727	–	4,727
Share of changes in equity of associates	–	–	–	–	1,720	–	–	–	–	1,720	–	1,720
Profit for the year	–	–	–	–	–	–	–	–	70,368	70,368	4,103	74,471
Total recognised income and expenses for the year	–	–	–	–	6,447	–	–	–	70,368	76,815	4,103	80,918
Issue of shares	10,068	108,904	–	–	–	–	–	–	–	118,972	–	118,972
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	23,659	23,659
Recognition of equity-settled share based payment	–	–	–	–	–	466	–	–	–	466	–	466
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(378)	(378)
Final 2004 dividend paid	–	–	–	–	–	–	–	(12,082)	–	(12,082)	–	(12,082)
Interim 2005 dividend paid	–	–	–	–	–	–	–	–	(10,068)	(10,068)	–	(10,068)
Proposed final 2005 dividend	–	–	–	–	–	–	–	15,102	(15,102)	–	–	–
At 31 December 2005	50,341	435,397	1,539	2,515	4,613	794	15,511	15,102	393,012	918,824	30,039	948,863

Note: Pursuant to the relevant laws and regulations of 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.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005 HK\$'000	2004 HK\$'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	77,557	56,196
Adjustments for:		
Share of results of associates	(3,544)	(3,858)
Amortisation of goodwill arising from the acquisition of an associate	–	403
Finance costs	26,594	4,111
Surplus on revaluation of investment properties	–	(7,525)
Depreciation	72,397	50,375
Allowance for doubtful debts, net	2,552	6,315
(Reversal of) write-down of inventories, net	(3,145)	1,882
Amortisation of goodwill arising from the acquisition of subsidiaries	–	4,647
Share-based payments expense	466	266
Gain on disposal of property, plant and equipment	(2,065)	(1,308)
Interest income	(2,140)	(1,164)
Increase in fair value of held-for-trading investments	(44)	–
Decrease in fair value of derivative financial instruments	3,692	1,201
Operating cash flows before movements in working capital	172,320	111,541
Decrease (increase) in inventories	5,404	(18,149)
Increase in trade and bills receivables	(152,727)	(988)
Decrease (increase) in prepayments, deposits and other receivables	5,738	(8,966)
Increase (decrease) in trade and bills payables	24,024	(22,022)
(Decrease) increase in other payables and accruals	(20,273)	22,556
Decrease in amount due to SNP Group	(1,039)	(4,922)
Increase (decrease) in amounts due to associates	10,240	(3,999)
Cash generated from operations	43,687	75,051
Hong Kong Profits Tax refunded (paid)	2,482	(11,133)
PRC income tax paid	(6,856)	(4,095)
Overseas taxes paid	(435)	(247)
NET CASH FROM OPERATING ACTIVITIES	38,878	59,576

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	31	(68,418)	(383,872)
Purchase of property, plant and equipment	32	(89,807)	(38,064)
Purchase of held-for-trading investments		(3,478)	–
Purchase of other investments		–	(622)
Increase in pledged bank deposits		(630)	–
Proceeds from disposal of property, plant and equipment		20,264	6,313
Dividend received from an associate		1,962	1,964
Interest received		2,140	1,164
Decrease in prepaid lease payments		769	923
		<u>(137,198)</u>	<u>(412,194)</u>
FINANCING ACTIVITIES			
New bank loans raised		404,167	549,600
Proceeds from issue of shares		118,972	–
Repayment of bank loans		(357,655)	(101,326)
Dividend paid		(22,150)	(20,137)
Interest paid		(26,594)	(4,111)
Repayment to minority shareholders		(12,144)	–
Repayment of obligations under finance leases		(3,439)	(564)
Dividend paid to minority shareholders		(378)	(283)
		<u>100,779</u>	<u>423,179</u>
NET CASH FROM FINANCING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		2,459	70,561
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		151,812	80,760
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET			
		<u>(367)</u>	<u>491</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash			
		<u><u>153,904</u></u>	<u><u>151,812</u></u>

Notes to the Financial Statements

For the year ended 31 December 2005

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) Ltd., a company incorporated in Singapore. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are printing of books, magazines, packaging products and pop-up and touch-and-feel books.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1 January 2005. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the transitional provisions in HKFRS 3. On 1 January 2005, the Group eliminated the carrying amount of the related accumulated amortisation of HK\$4,647,000 with a corresponding decrease in the cost of goodwill (see Note 16). The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see Note 2A for the financial impact).

Share-based Payment

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. Now the Group is required to apply HKFRS 2 retrospectively to share options that were granted before 1 January 2005 and had not yet vested on 1 January 2005. Comparative figures have been restated (see Note 2A for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, “other investments” amounted to HK\$622,000 has been classified as held-for-trading investments on 1 January 2005 (see Note 2A for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

The Group has applied the relevant transitional provisions in HKAS 39. As the derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1 January 2005 onwards, deemed such derivatives as held for trading. The Group measured its derivative at fair value and recorded the amount in “other payables and accruals” account prior to 1 January 2005 with the change in fair values recognised in profit or loss for the period in which they arise. As a result, “other payables and accruals” amounted to HK\$1,201,000 has been reclassified to derivative financial instruments on 31 December 2004.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-amortisation of goodwill	17,748	–
Decrease in share of results of associates	(1,409)	(1,382)
Decrease in income tax expenses	1,409	1,382
Recognition of share based payments as expenses	(466)	(266)
	<u>17,282</u>	<u>(266)</u>
Increase (decrease) in profit for the year	<u>17,282</u>	<u>(266)</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated)	Retrospective adjustments			As at 31 December 2004 (restated)	Prospective adjustments	As at 1 January 2005 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		HKAS 1	HKAS 17	HKFRS 2		HKAS 39	
Balance sheet items							
Property, plant and equipment	679,490	–	(125,438)	–	554,052	–	554,052
Prepaid lease payments	–	–	115,291	–	115,291	–	115,291
Held-for-trading investments	–	–	–	–	–	622	622
Other investments	622	–	–	–	622	(622)	–
Other payables and accruals	(128,341)	–	–	–	(128,341)	–	(128,341)
Derivative financial instruments (Note)	(1,201)	–	–	–	(1,201)	–	(1,201)
Other net assets	206,953	–	–	–	206,953	–	206,953
Total effects on assets and liabilities	757,523	–	(10,147)	–	747,376	–	747,376
Share capital	40,273	–	–	–	40,273	–	40,273
Retained profits	348,142	–	–	(328)	347,814	–	347,814
Share options reserve	–	–	–	328	328	–	328
Property revaluation reserve	11,686	–	(10,147)	–	1,539	–	1,539
Other reserves	354,767	–	–	–	354,767	–	354,767
Minority interests	–	2,655	–	–	2,655	–	2,655
Total effects on equity	754,868	2,655	(10,147)	–	747,376	–	747,376
Minority interests	2,655	(2,655)	–	–	–	–	–

Note: The Group measured its derivative at fair value and recorded the amount in “other payables and accruals” account on 31 December 2004. As a result, “other payables and accruals” amounting to HK\$1,201,000 has been reclassified to derivative financial instruments on 31 December 2004.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

The financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004 are summarised below:

	As originally stated	HKAS 1	HKAS 17	HKFRS 2	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share capital	40,273	–	–	–	40,273
Retained profits	328,239	–	–	(62)	328,177
Share options reserve					
– recognition of equity-settled share-based payment expenses	–	–	–	62	62
Property revaluation reserve	11,686	–	(10,147)	–	1,539
Other reserves	341,523	–	–	–	341,523
Minority interests	–	2,410	–	–	2,410
	<u>721,721</u>	<u>2,410</u>	<u>(10,147)</u>	<u>–</u>	<u>713,984</u>
Total effects on equity	<u>721,721</u>	<u>2,410</u>	<u>(10,147)</u>	<u>–</u>	<u>713,984</u>

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no or any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: disclosures ¹
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease ²
HK (IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK (IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment ³
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or associate at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

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.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the 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 corresponding revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than plant and machinery under installation and factory buildings under construction over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rate per annum:

Buildings	2.5% – 5%
Plant and machinery	6 ² / ₃ % – 33 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.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Retirement benefits costs

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

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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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 to 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.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, prepayments, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when

an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily forward contracts and interest rate swaps) to hedge its exposure against foreign currency and interest risk. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Impairment losses (other than goodwill – see the accounting policies in respect of goodwill above)

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 at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation and amortisation

The Group's net book value of property, plant and equipment as at 31 December 2005 was HK\$593 million. The Group depreciates the plant and machinery on a straight line basis over the estimated useful life of three to fifteen years, and after taking into account of their estimated residual value, using the straight-line method, at the rate 6²/₃% to 33¹/₃% per annum, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

During the year, there was significant increase in net realisable value of raw materials due to certain raw materials previously written off can be used in the production of other products. As a result, a reversal of write-down of raw materials of HK\$3,145,000 (2004: Nil) has been recognised in cost of sales in the current year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill was HK\$169,807,000. Details of the recoverable amount calculation are disclosed in note 17.

Income taxes

As at 31 December 2005, a deferred tax asset of HK\$1,247,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivables, other receivables, trade and bills payables, other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts are entered into in respect of highly probable foreign currency forecast sales in accordance with the Group's risk management policies.

Certain trade receivables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group's fair value interest rate risk relates to fixed-rate and variable-rate borrowings (see Note 25 for details of these borrowings). In relation to these fixed-rate borrowings, the Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in fair values for some of these borrowings (see Note 27 for details).

Besides, the Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and obligations under finance leases. The interest rates and terms of repayment of bank borrowings and obligations under finance leases of the Group are disclosed in notes 25 and 26 respectively.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

6. REVENUE

Revenue 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 revenue is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Printing of books and magazines	855,882	691,124
Printing of packaging products	296,781	95,683
Printing pop-up and touch-and-feel books	547,397	187,340
	<u>1,700,060</u>	<u>974,147</u>

7. 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.

Inter-segment sales are charged at prevailing market prices.

Segment information about these businesses is presented below:

For the year ended 31 December 2005

	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>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue					
External sales	855,882	296,781	547,397	–	1,700,060
Inter-segment sales	178	13,806	7,577	(21,561)	–
	<u>856,060</u>	<u>310,587</u>	<u>554,974</u>	<u>(21,561)</u>	<u>1,700,060</u>
Result					
Segment result	92,803	3,988	38,584	–	135,375
Unallocated corporate expenses					(34,768)
Finance costs					(26,594)
Share of results of associates	1,582	1,962	–	–	3,544
Profit before tax					77,557
Income tax expenses					(3,086)
Profit for the year					<u>74,471</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	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 expenditure by the Group	39,304	8,268	19,910	67,482
Capital expenditure through acquisition of a subsidiary	–	55,222	–	55,222
Depreciation	39,922	10,291	22,184	72,397
Gain (loss) on disposal of property, plant and equipment	2,539	(140)	(334)	2,065
Allowance for doubtful debt, net	–	–	2,552	2,552
Write-down (reversal of write-down) of inventories, net	66	–	(3,211)	(3,145)
	<u>66</u>	<u>–</u>	<u>(3,211)</u>	<u>(3,145)</u>
BALANCE SHEET				
Assets				
Segment assets	875,504	307,150	518,847	1,701,501
Interests in associates	59,266	24,535	–	83,801
Unallocated corporate assets				261,790
				<u>261,790</u>
Consolidated total assets				<u>2,047,092</u>
Liabilities				
Segment liabilities	213,470	25,380	58,492	297,342
Unallocated corporate liabilities				800,887
				<u>800,887</u>
Consolidated total liabilities				<u>1,098,229</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

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>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (restated)
Segment revenue					
External sales	691,124	95,683	187,340	–	974,147
Inter-segment sales	353	6,611	414	(7,378)	–
	691,477	102,294	187,754	(7,378)	974,147
Total	691,477	102,294	187,754	(7,378)	974,147
Result					
Segment result	80,978	(9,391)	13,340	–	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					(30,953)
Finance costs					(4,111)
Share of results of associates	1,896	1,962	–	–	3,858
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	–	(403)
Profit before tax					56,196
Income tax expenses					(5,697)
Profit for the year					50,499

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	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> (Restated)
OTHER INFORMATION				
Capital expenditure by the Group	49,402	3,279	7,708	60,389
Capital expenditure through acquisition of subsidiaries	–	–	126,167	126,167
Depreciation	38,173	5,623	6,579	50,375
Gain (loss) on disposal of property, plant and equipment	1,323	(6)	(9)	1,308
Allowance for doubtful debt, net	–	–	6,315	6,315
Write-down (reversal of write-down) of inventories, net	2,763	–	(881)	1,882
	<u>2,763</u>	<u>–</u>	<u>(881)</u>	<u>1,882</u>
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				<u>217,878</u>
Consolidated total assets				<u>1,733,562</u>
Liabilities				
Segment liabilities	195,076	9,165	85,589	289,830
Unallocated corporate liabilities				<u>696,356</u>
Consolidated total liabilities				<u>986,186</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

(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 (the "PRC"), Thailand and Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services.

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	398,065	392,819
Hong Kong	155,714	24,317
Taiwan	119,040	8,710
The United States of America	574,485	331,885
United Kingdom	313,838	115,215
Australia	42,401	46,406
Other areas	96,517	54,795
	<u>1,700,060</u>	<u>974,147</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.

8. FINANCE COSTS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	18,423	3,144
Bank and other borrowings wholly repayable over five years	7,840	914
Obligations under finance leases	331	53
	<u>26,594</u>	<u>4,111</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

9. PROFIT BEFORE TAX

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (<i>Note 11(a)</i>):		
– Salaries, wages and other benefits	233,194	137,825
– Retirement benefit scheme contributions, net of forfeited contributions of HK\$4,000 (2004: HK\$5,000)	5,790	4,715
Total staff costs	238,984	142,540
Auditors' remuneration	2,146	1,222
Depreciation of property, plant and equipment	72,397	50,375
Minimum lease payments under operating leases:		
– Plant and machinery	127	96
– Properties	15,918	4,496
	16,045	4,592
Exchange (gain) loss, net	(1,878)	3,046
(Reversal of) write-down of inventories, net	(3,145)	1,882
Allowance for doubtful debts, net	2,552	6,315
Gross rental income	(1,089)	(1,185)
Less: outgoings	879	966
Net rental income	(210)	(219)
Interest income	(2,140)	(1,164)
Increase in fair value of held-for-trading investments	(44)	–
Decrease in fair value of derivative financial instruments	3,692	1,201
Share of tax of associates (included in share of results of associates)	1,409	1,382

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

10. INCOME TAX EXPENSES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Current tax:		
– Hong Kong	5,701	2,035
– Other jurisdictions	<u>6,282</u>	<u>5,851</u>
	<u>11,983</u>	<u>7,886</u>
(Over) underprovision in prior years:		
– Hong Kong	(9,200)	(834)
– Other jurisdictions	<u>960</u>	<u>1,762</u>
	<u>(8,240)</u>	<u>928</u>
Deferred taxation (<i>Note 28</i>)	3,743	8,814
	<u>(657)</u>	<u>(3,117)</u>
	<u><u>3,086</u></u>	<u><u>5,697</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 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.

During the year, a subsidiary obtained approval from the Hong Kong Inland Revenue Department in claiming certain offshore profits as being non-taxable in prior years. An overprovision of taxation in prior years amounting to approximately HK\$9,200,000 was thus reversed in current year.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

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

	2005		2004	
	<i>HK\$'000</i>	%	<i>HK\$'000</i> (Restated)	%
Profit before tax	<u>77,557</u>		<u>56,196</u>	
Tax at Hong Kong Profits Tax rate of 17.5%	13,572	17.5	9,834	17.5
Tax effect of share of associates	(251)	(0.3)	(675)	(1.2)
Tax effect of expenses that are not deductible in determining taxable profit	5,033	6.5	3,410	6.1
Tax effect of income that are not taxable in determining taxable profit	(2,935)	(3.8)	(2,487)	(4.4)
(Over) underprovision in respect of prior year	(8,240)	(10.6)	928	1.6
Tax effect of different tax rates of the subsidiaries and associates operating in other jurisdictions	97	0.1	(1,460)	(2.6)
Tax effect of unrecognised tax losses	823	1.1	588	1.0
Utilisation of tax losses previously not recognised	–	–	(2,953)	(5.3)
Tax effect of utilisation of deductible temporary difference not recognised (write-down of inventories)	–	–	(616)	(1.1)
Recognition of tax losses previously not recognised	–	–	(300)	(0.5)
Tax effect of offshore profits not subject to Hong Kong Profits Tax	(3,948)	(5.1)	–	–
Effect of tax exemptions granted to a subsidiary in Thailand	<u>(1,065)</u>	<u>(1.4)</u>	<u>(572)</u>	<u>(1.0)</u>
Tax expense and effective tax rate for the year	<u><u>3,086</u></u>	<u><u>4.0</u></u>	<u><u>5,697</u></u>	<u><u>10.1</u></u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2004: eleven) directors were as follows:

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
Peter, Yang Sze Chen	–	2,141	210	–	2,351
Yeo Chee Tong	–	1,085	457	–	1,542
Tay Siew Choon	155	–	–	–	155
John Robert Walter	155	–	–	–	155
Edmund, Cheng Wai Wing	116	–	–	–	116
Joseph, Lai Ming	170	–	–	–	170
Alice, Kan Lai Kuen	93	–	–	–	93
Frank, Wong Kwong Shing	2	–	–	–	2
Kyle Arnold Shaw, Jr.	28	–	–	–	28
Total for 2005	719	3,226	667	–	4,612

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
Peter, Yang Sze Chen	–	2,110	342	46	2,498
Yeo Chee Tong	–	1,596	339	–	1,935
Tay Siew Choon	128	–	–	–	128
John Robert Walter	116	–	–	–	116
Edmund, Cheng Wai Wing	103	–	–	–	103
Joseph, Lai Ming	55	–	–	–	55
Frank, Wong Kwong Shing	77	–	–	–	77
Koo Tse Chia	9	–	–	–	9
Maria Yang	9	–	–	–	9
Kyle Arnold Shaw, Jr.	110	–	–	–	110
Ma King Wah	7	–	–	–	7
Total for 2004 (Restated)	614	3,706	681	46	5,047

No director waived any emoluments in the years ended 31 December 2005 and 2004.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

(b) Employees' emoluments

During the year, the five highest paid individuals included one director (2004: two directors), details of whose emoluments are set out above. The emoluments of the remaining four (2004: three) highest paid individuals were as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Salaries and other benefits	6,234	4,191
Performance related incentive payments	800	696
Retirement benefits schemes contributions	48	24
	7,082	4,911
	7,082	4,911

Their emoluments were within the following bands:

	Number of employees	
	2005	2004
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	1	–
	4	3
	4	3

12. DIVIDENDS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid: HK2 cents (2004: HK2 cents) per share	10,068	8,055
Final dividend proposed: HK3 cents (2004: HK3 cents) per share	15,102	12,082
	25,170	20,137
	25,170	20,137

The directors propose that final dividend of HK3 cents per share will be paid to shareholders on 11 April 2006. 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 2005 is payable to all shareholders on the Register of Members on 17 March 2006.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the parent of HK\$70,368,000 (2004: HK\$50,216,000 as restated) and the weighted average of 453,534,504 shares (2004: 409,573,275 shares as restated) in issue during the year. The weighted average numbers of ordinary shares for the purpose of basic earnings per share have been adjusted for the Rights Issue on 14 July 2005.

No diluted earnings per share have been presented because the exercise prices (as adjusted for the effect of share-based payments) of the Company's options were higher than the average market prices of the shares for both financial years.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

The following table summarises the impact on basic earnings per share as a result of:

	Impact on basic earnings per share	
	2005	2004
	<i>HK cents</i>	<i>HK cents</i>
Reported figures before adjustments	11.70	12.54
Adjustments arising from rights issue on 14 July 2005	–	(0.21)
Adjustments arising from changes in accounting policies (see Note 2A)	3.82	(0.07)
	<u>15.52</u>	<u>12.26</u>
Restated	<u>15.52</u>	<u>12.26</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Equipment, furniture and fixtures	Motor vehicles	Plant and machinery under installation and factory buildings under construction	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST OR VALUATION						
At 1 January 2004						
– As originally stated	307,456	502,582	42,701	13,945	724	867,408
– Reclassified to prepaid lease payments	(133,485)	–	–	–	–	(133,485)
– As restated	173,971	502,582	42,701	13,945	724	733,923
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
	<u>232,938</u>	<u>582,370</u>	<u>54,480</u>	<u>16,550</u>	<u>40,676</u>	<u>927,014</u>
At 31 December 2004 and 1 January 2005						
Additions	1,112	35,079	10,576	5,729	14,986	67,482
Acquired on acquisition of a subsidiary	9,612	42,591	1,229	1,790	–	55,222
Reclassifications	992	52,475	185	275	(53,927)	–
Disposals	(6,772)	(21,166)	(5,710)	(5,942)	–	(39,590)
Exchange realignment	4,113	4,943	748	151	38	9,993
	<u>241,995</u>	<u>696,292</u>	<u>61,508</u>	<u>18,553</u>	<u>1,773</u>	<u>1,020,121</u>
At 31 December 2005	<u>241,995</u>	<u>696,292</u>	<u>61,508</u>	<u>18,553</u>	<u>1,773</u>	<u>1,020,121</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	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>
Comprising:						
At cost	230,186	696,292	61,508	18,553	1,773	1,008,312
At valuation:						
31.3.1994	3,495	–	–	–	–	3,495
31.3.1995	4,205	–	–	–	–	4,205
31.3.1998	3,039	–	–	–	–	3,039
30.11.2004	1,070	–	–	–	–	1,070
	<u>241,995</u>	<u>696,292</u>	<u>61,508</u>	<u>18,553</u>	<u>1,773</u>	<u>1,020,121</u>
DEPRECIATION						
At 1 January 2004						
– As originally stated	41,526	255,123	30,285	10,322	–	337,256
– Reclassified to prepaid lease payments	(7,124)	–	–	–	–	(7,124)
– As restated	34,402	255,123	30,285	10,322	–	330,132
Provided for the year	5,904	37,125	5,235	2,111	–	50,375
Eliminated on disposals	(765)	(1,187)	(3,627)	(3,368)	–	(8,947)
Exchange realignment	169	1,071	92	70	–	1,402
	<u>39,710</u>	<u>292,132</u>	<u>31,985</u>	<u>9,135</u>	<u>–</u>	<u>372,962</u>
At 31 December 2004 and 1 January 2005	39,710	292,132	31,985	9,135	–	372,962
Provided for the year	8,305	52,635	8,140	3,317	–	72,397
Reclassification	–	198	(198)	–	–	–
Eliminated on disposals	(1,415)	(11,791)	(4,014)	(4,171)	–	(21,391)
Exchange realignment	881	1,638	429	93	–	3,041
	<u>47,481</u>	<u>334,812</u>	<u>36,342</u>	<u>8,374</u>	<u>–</u>	<u>427,009</u>
At 31 December 2005	47,481	334,812	36,342	8,374	–	427,009
NET BOOK VALUES						
At 31 December 2005	<u>194,514</u>	<u>361,480</u>	<u>25,166</u>	<u>10,179</u>	<u>1,773</u>	<u>593,112</u>
At 31 December 2004 (restated)	<u>193,228</u>	<u>290,238</u>	<u>22,495</u>	<u>7,415</u>	<u>40,676</u>	<u>554,052</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The carrying amount of buildings located at:		
Long-term leases in Hong Kong	5,853	6,139
Medium-term leases in Hong Kong	5,610	9,392
Medium-term leases in PRC	174,685	168,365
Medium-term leases in Thailand	8,366	9,332
	<u>194,514</u>	<u>193,228</u>

Certain of the Group's 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 buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of HKAS 16 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 buildings been carried at cost less accumulated depreciation, their carrying values would have been approximately HK\$192 million (2004: HK\$191 million).

At 31 December 2005, the net book value of plant and machinery and motor vehicles of the Group includes an amount of approximately HK\$10,399,000 (2004: HK\$1,841,000) and HK\$1,137,000 (2004: 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\$10,741,000 (2004: HK\$9,998,000) to secure general banking facilities granted to the Group.

15. PREPAID LEASE PAYMENTS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
Long-term leasehold land in Hong Kong	86,425	86,521
Medium-term leasehold land in Hong Kong	3,818	3,209
Medium-term leasehold land in PRC	25,074	25,561
Medium-term leasehold land in Thailand	156	–
	<u>115,473</u>	<u>115,291</u>
Analysed for reporting purposes as:		
Current asset	934	923
Non-current asset	114,539	114,368
	<u>115,473</u>	<u>115,291</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

16. GOODWILL

	<i>HK\$'000</i>
COST	
Arising on acquisition of subsidiaries and at 1 January 2005	139,249
Elimination of accumulated amortisation upon the application of HKFRS 3 (<i>see Note 2</i>)	(4,647)
Arising on acquisition of a subsidiary (<i>see Note 31</i>)	35,205
	<hr/>
At 31 December 2005	169,807
AMORTISATION	
Charge for the year ended 31 December 2004 and at 1 January 2005	4,647
Elimination of accumulated amortisation upon the application of HKFRS 3 (<i>see Note 2</i>)	(4,647)
	<hr/>
At 31 December 2005	–
CARRYING VALUES	
At 31 December 2005	169,807
	<hr/> <hr/>
At 31 December 2004	134,602
	<hr/> <hr/>

Particulars regarding impairment testing on goodwill are disclosed in note 17.

Until 31 December 2004, goodwill had been amortised over 10 years.

17. IMPAIRMENT TESTING ON GOODWILL

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in note 16 have been allocated to three individual cash generating units (CGUs), including two subsidiaries in printing of pop-up and touch-and-feel books segment and one subsidiary in printing of packaging products segment. The carrying amounts of goodwill (net of accumulated amortisation) as at 31 December 2005 allocated to these units are as follows:

	Goodwill <i>HK\$'000</i>
Printing of pop-up and touch-and-feel books	
– SNP Excel (Hong Kong) Company Limited	128,263
– SNP Excel (Thailand) Co., Ltd.	6,339
Printing of packaging products	
– SNP Yau Yue Paper Products Limited	35,205
	<hr/>
	169,807
	<hr/> <hr/>

During the year ended 31 December 2005, the Management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on financial budgets approved by the Management covering a 10-year period, and a discount rate of 12%. Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

18. INTERESTS IN ASSOCIATES

The summarised financial information in respect of the Group's associates is set out below:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in unlisted associates	85,389	85,389
Share of post-acquisition profits and reserves, net of dividends received	(1,588)	(2,512)
	<u>83,801</u>	<u>82,877</u>

Included in the cost of investment in associates is goodwill of HK\$470,000 (2004: HK\$470,000) arising on acquisitions of associates in prior years. The movement of goodwill is set out below.

	<i>HK\$'000</i>
COST	
At 1 January 2004 and 31 December 2004	2,016
Elimination of accumulated amortisation upon the application of HKFRS 3 (<i>see Note 2</i>)	(1,546)
At 31 December 2005	470
AMORTISATION	
At 1 January 2004 and 31 December 2004	1,546
Elimination of accumulated amortisation upon the application of HKFRS 3 (<i>see Note 2</i>)	(1,546)
At 31 December 2005	–
CARRYING VALUES	
At 31 December 2005	470
At 31 December 2004	470

Until 31 December 2004, goodwill had been amortised over 5 years.

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The summarised financial information in respect of the Group's associates is set out below:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Total assets	335,292	336,503
Total liabilities	<u>(76,456)</u>	<u>(79,070)</u>
Net assets	<u>258,836</u>	<u>257,433</u>
Group's share of net assets of associates	<u>83,331</u>	<u>82,407</u>
Revenue	<u>275,143</u>	<u>270,433</u>
Profit for the year	<u>22,184</u>	<u>27,671</u>
Group's share of result of associates for the year	<u>3,544</u>	<u>3,858</u>

Information of the significant associates are set out in note 39.

19. INVENTORIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Raw materials	198,463	167,924
Work in progress	34,781	33,309
Finished goods	<u>5,921</u>	<u>6,140</u>
	<u>239,165</u>	<u>207,373</u>

During the year, there was significant increase in net realisable value of raw materials due to certain raw materials previously written off can be used in the production of other products. As a result, a reversal of write-down of raw materials of HK\$3,145,000 (2004: Nil) has been recognised and included in cost of sales in the current year.

20. TRADE AND BILLS RECEIVABLES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Trade and bills receivables	684,187	473,573
Less: Allowance for doubtful debts	<u>(61,029)</u>	<u>(56,291)</u>
	<u>623,158</u>	<u>417,282</u>

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.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date, and net of allowance, is as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within credit period	345,744	302,420
1 – 30 days	141,657	49,528
31 – 60 days	62,215	40,248
61 – 90 days	33,580	10,272
Over 90 days	39,962	14,814
	<u>623,158</u>	<u>417,282</u>

The fair value of the Group's trade and bills receivables at 31 December 2005 approximates to the corresponding carrying amount.

21. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2005 represent equity securities listed in Hong Kong. The fair values of the held-for-trading investments are determined based on the quoted market bid prices available on the relevant exchange.

22. OTHER INVESTMENTS

Other investments as at 31 December 2004 represent equity securities listed in Hong Kong. Upon the application of HKAS 39 on 1 January 2005, other investments were reclassified to held-for-trading investments under HKAS 39 (see Note 2 for details).

23. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carry fixed interest rate of 0.72%. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31 December 2005 approximates to the corresponding carrying amount.

24. 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:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	148,797	119,533
31 – 60 days	11,901	14,695
61 – 90 days	7,423	3,303
91 – 120 days	3,569	2,213
Over 120 days	4,191	7,432
	<u>175,881</u>	<u>147,176</u>

The fair value of the Group's trade and bills payables at 31 December 2005 approximates to the corresponding carrying amount.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

25. BANK BORROWINGS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	41,713	6,736
Unsecured bank loans	709,715	652,145
	751,428	658,881
	751,428	658,881

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	240,503	158,881
In the second year	119,172	100,000
In the third to fifth years inclusive	326,753	275,000
Over five years	65,000	125,000
	751,428	658,881
Less: Amount due within one year shown under current liabilities	(240,503)	(158,881)
	510,925	500,000
	510,925	500,000

Bank loans include approximately HK\$15,385,000 (2004: Nil) fixed-rate borrowings which carry interest at 5.22% per annum. The remaining bank loans are variable-rate borrowings which carry interest ranging from 4% to 7% (2004: 1% to 3% per annum).

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	RMB	Thai Baht
	<i>'000</i>	<i>'000</i>
As at 31 December 2005	16,000	13,000
As at 31 December 2004	–	86,930

During the year, the Group obtained new loans in the amount of HK\$404,167,000. The loans drawn during the year bear interest at market rates and will be repayable varying from 2006 to 2009.

The directors consider that the carrying amount of bank borrowings approximates their fair value.

As at the balance sheet date, the Group has undrawn borrowing facilities with floating rate expiring within one year amounting to approximately HK\$846,380,000 (2004: HK\$603,334,000).

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26. OBLIGATIONS UNDER FINANCE LEASES

The lease term ranges from two to four years. For the year ended 31 December 2005, the average effective borrowing rate was 6% (2004: 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.

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	3,760	1,436	3,432	1,333
In more than one year but not more two years	2,753	1,087	2,622	1,042
In more than two year but not more three years	492	251	473	248
	<u>7,005</u>	<u>2,774</u>	<u>6,527</u>	<u>2,623</u>
Less: Future finance charges	(478)	(151)	–	–
Present value of lease obligations	<u><u>6,527</u></u>	<u><u>2,623</u></u>	<u>6,527</u>	<u>2,623</u>
Less: Amount due within one year shown under current liabilities			<u>(3,432)</u>	<u>(1,333)</u>
			<u><u>3,095</u></u>	<u><u>1,290</u></u>

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

All finance lease obligations are denominated in Hong Kong dollars, functional currency of the subsidiary entered into these arrangements.

The directors consider that the carrying amount of the obligations under finance leases approximates their fair value.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest rate swaps	521	543
Foreign currency forward contracts	<u>4,372</u>	<u>658</u>
	<u><u>4,893</u></u>	<u><u>1,201</u></u>

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
HK\$100,000,000	16 March 2007	From 2.5% to HIBOR

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At 31 December 2005, the Group had entered into forward contracts denominated in United States Dollar (“USD”), Thai Baht (“THB”), Euro (“EUR”) and Swiss Franc (“CHF”). The major terms of the foreign currency forward contracts are as follows:

Notional amount	Maturity	Exchange rates
Sell USD3,000,000	16 January 2006	USD0.0254 to THB1
Sell USD3,000,000	27 March 2006	USD0.0254 to THB1
Sell USD1,222,000	29 March 2006	USD1.222 to EUR1
Sell USD2,476,000	29 March 2006	USD1.238 to EUR1
Sell USD5,301,000	27 September 2006	USD1.178 to EUR1
Sell USD1,149,425	28 June 2006	USD0.7663 to CHF1
Sell THB20,954,814	18 January 2006	THB38.65 to USD1
Sell THB101,875,000	2 August 2006	THB40.75 to USD1
Sell THB10,602,762	4 August 2006	THB40.75 to USD1
Sell THB181,893,600	2 October 2006	THB40.10 to USD1

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

28. DEFERRED TAX LIABILITIES

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>	Write- down of inventories <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 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	<u>(1,388)</u>	<u>72</u>	<u>(11)</u>	<u>–</u>	<u>(1,790)</u>	<u>(3,117)</u>
At 31 December 2004 and 1 January 2005	22,535	(3,178)	(2,873)	2,389	(2,152)	16,721
Acquired on acquisition of a subsidiary	3,489	–	–	–	–	3,489
(Credit) charge to income statement for the year	<u>(2,024)</u>	<u>(176)</u>	<u>638</u>	<u>–</u>	<u>905</u>	<u>(657)</u>
At 31 December 2005	<u><u>24,000</u></u>	<u><u>(3,354)</u></u>	<u><u>(2,235)</u></u>	<u><u>2,389</u></u>	<u><u>(1,247)</u></u>	<u><u>19,553</u></u>

As at the balance sheet date, the Group has unprovided deferred assets due to the unpredictability of the future profit streams arising from tax losses amounting to approximately HK\$2,345,000 (2004: HK\$1,522,000). All tax losses may be carried forward indefinitely.

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29. SHARE CAPITAL

	Number of shares		Share capital	
	2005 '000	2004 '000	2005 HK\$'000	2004 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning of year	500,000	500,000	50,000	50,000
Increase during the year (Note a)	500,000	–	50,000	–
At end of year	<u>1,000,000</u>	<u>500,000</u>	<u>100,000</u>	<u>50,000</u>
Issued and fully paid:				
At beginning of year	402,727	402,727	40,273	40,273
Issued during the year (Note b)	100,682	–	10,068	–
At end of year	<u>503,409</u>	<u>402,727</u>	<u>50,341</u>	<u>40,273</u>

Notes:

- (a) By the ordinary resolution passed on 22 June 2005 at the special general meeting, the authorised share capital of the Company was increased from HK\$50 million to HK\$100 million by the creation of additional 500 million new shares of HK\$0.10 each.
- (b) On 14 July 2005, 100,681,729 new shares of HK\$0.10 each were issued at HK\$1.2 per share by way of Rights Issue on the basis of one new share for every four shares. The proceeds of the Rights Issue were used to finance the Group's expansion and general operations. The new shares rank *pari passu* with the existing shares in all respects.

30. SHARE OPTIONS SCHEMES AND SHARE AWARD 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 2005, the number of shares of the Company in respect of which options had remained outstanding under the 2003 Scheme of the Company was 7,121,250, representing 1.4% 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\$27 (2004: HK\$19).

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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 2004 and 2005:

Date of grant	Number of share options								Exercise price per share HK\$
	Outstanding at 1.1.2004	Granted during the year	Lapsed during the year	Outstanding at 1.1.2005	Granted during the year	Adjustment for rights issue	Lapsed during the year	Outstanding at 31.12.2005	
A director									
9 October 2003	450,000	-	-	450,000	-	112,500	-	562,500	1.421
25 November 2004	-	225,000	-	225,000	-	56,250	-	281,250	1.029
12 April 2005	-	-	-	-	225,000	56,250	-	281,250	1.597
28 October 2005	-	-	-	-	600,000	-	-	600,000	1.140
	<u>450,000</u>	<u>225,000</u>	<u>-</u>	<u>675,000</u>	<u>825,000</u>	<u>225,000</u>	<u>-</u>	<u>1,725,000</u>	
Employees									
9 October 2003	1,510,000	-	(180,000)	1,330,000	-	232,500	(400,000)	1,162,500	1.421
25 November 2004	-	895,000	-	895,000	-	176,875	(187,500)	884,375	1.029
12 April 2005	-	-	-	-	747,500	186,875	-	934,375	1.597
28 October 2005	-	-	-	-	2,415,000	-	-	2,415,000	1.140
	<u>1,510,000</u>	<u>895,000</u>	<u>(180,000)</u>	<u>2,225,000</u>	<u>3,162,500</u>	<u>596,250</u>	<u>(587,500)</u>	<u>5,396,250</u>	
	<u>1,960,000</u>	<u>1,120,000</u>	<u>(180,000)</u>	<u>2,900,000</u>	<u>3,987,500</u>	<u>821,250</u>	<u>(587,500)</u>	<u>7,121,250</u>	
Exercisable at the end of the year				<u>445,000</u>				<u>1,153,906</u>	

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.

During the year ended 31 December 2005, options were granted on 12 April and 28 October. The estimated fair values of the options granted on those dates are HK\$577,000 and HK\$618,000 respectively. During the year ended 31 December 2004, options were granted on 25 November. The estimated fair value of the options granted on the date is HK\$326,000.

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These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share option grant date		
	28.10.2005	12.4.2005	25.11.2004
Share price on grant date	HK\$1.08	HK\$1.63	HK\$1.05
Exercise price	HK\$1.14	HK\$1.63	HK\$1.05
Expected volatility	26.61%	39.25%	40.78%
Expected life	10 years	10 years	10 years
Risk-free rate	4.43%	4.18%	3.43%
Expected dividend yield	4.63%	3.07%	4.76%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$466,000 for the year ended 31 December 2005 (2004: HK\$266,000) in relation to share options granted by the Company.

(b) Share Award Schemes

The Company adopted a performance related incentive award scheme and a time-based incentive award scheme (together the "Share Award Schemes") on 18 March 2004 for the purpose of recognising 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 31 December 2005, no awards pursuant to the Share Award Schemes had been made.

(c) SNP Share Option Plan and SNP Performance Share Plan

SNP Corporation Ltd ("SNP"), the immediate holding company of the Company, also operates SNP Share Option Plan and SNP Performance Share Plan (collectively referred to as the "Share Plans").

These Share Plans apply to SNP and its subsidiaries' employees, non-executive directors and associated company employees.

(i) SNP Share Option Plan

The following table discloses details of the 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 1.1.2005	Granted during the year	Exercised during the year	Outstanding at 31.12.2005
Peter, Yang Sze Chen	25,000	22,000	–	47,000
Yeo Chee Tong	560,000	300,000	(100,000)	760,000
Tay Siew Choon	190,000	77,000	–	267,000
Edmund, Cheng Wai Wing	80,000	55,000	–	135,000
John Robert Walter	140,000	55,000	–	195,000
	<u>995,000</u>	<u>509,000</u>	<u>(100,000)</u>	<u>1,404,000</u>

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(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.

31. ACQUISITION OF A SUBSIDIARY

On 3 May 2005, the Group acquired 60% of the issued share capital of SNP Yau Yue Paper Products Limited for a consideration of approximately HK\$70,694,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK\$35,205,000.

The fair value of the identifiable assets and liabilities of the subsidiary acquired during the year have no significant differences from their respective carrying amounts. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree’s carrying amount and fair value 2005 HK\$’000
Net assets acquired:	
Property, plant and equipment	55,222
Prepaid lease payments	702
Inventories	34,947
Trade receivables	58,233
Prepayment, deposits and other receivables	3,193
Tax recoverable	748
Bank balances and cash	2,276
Trade and bills payable	(5,255)
Other payables and accruals	(13,331)
Obligations under finance leases	(7,343)
Deferred tax liabilities	(3,489)
Bank borrowings	(46,515)
Amounts due to minority shareholders	(20,240)
Minority interests	(23,659)
	35,489
Goodwill	35,205
	70,694

Total consideration is satisfied by cash.

Net cash outflow (inflow) arising on acquisition:

	2005 HK\$’000	2004 HK\$’000
Cash consideration	70,694	409,296
Bank balances and cash acquired	(2,276)	(25,424)
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	68,418	383,872

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The goodwill arising on the acquisition of SNP Yau Yue Paper Products Limited is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

SNP Yau Yue Paper Products Limited contributed HK\$215 million revenue and HK\$10 million to the Group's profit for the year between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2005, total group revenue for the period would have been HK\$1,783 million, and profit for the year would have been HK\$76 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

32. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2004, the Group has purchased plant and equipment of approximately HK\$60,389,000 of which approximately HK\$22,325,000 had not been due under the terms of the contract as at 31 December 2004 which was included in other payables and accruals. The amounts were settled in current year.

33. CONTINGENT LIABILITIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Guarantee given to an independent third party in respect of future lease payment of a staff quarter	<u>–</u>	<u>49</u>

34. 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 one 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:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	9,131	5,529
In the second to fifth year inclusive	30,611	15,060
Over five years	<u>123,903</u>	<u>111,865</u>
	<u>163,645</u>	<u>132,454</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 18% (2004: 5%) on an ongoing basis.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	1,107	1,097
In the second to fifth year inclusive	187	1,297
	<u>1,294</u>	<u>2,394</u>

35. CAPITAL COMMITMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Commitments in respect of the acquisition of property, plant and equipment		
– contracted but not provided for	84,439	3,878
– authorised but not contracted for	2,289	47
	<u>86,728</u>	<u>3,925</u>

In addition, the Group also entered into an agreement with certain third parties to establish a joint venture in which the Group will invest approximately HK\$28,269,000 (2004: Nil) to develop printing facilities in the PRC during the year ended 31 December 2005. The amount is being capital commitments contracted but not yet provided for.

36. 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 governments. 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.

The total cost charged to income statement of approximately HK\$5,790,000 (2004: HK\$4,715,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2005, contributions of approximately HK\$1,302,000 (2004: HK\$898,000) due in respect of the reporting period had not been paid to the schemes.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

37. 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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amount due to SNP Group	832	1,971
Amounts due to associates	24,102	13,862
	<u>24,102</u>	<u>13,862</u>

The balances with related parties are unsecured, interest-free and are repayable on demand.

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0 – 30 days	7,190	3,901
31 – 60 days	7,667	4,271
61 – 90 days	3,558	4,066
91 – 120 days	5,687	1,624
	<u>24,102</u>	<u>13,862</u>

Transactions

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

Nature of transactions	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Subcontracting fee paid	39,041	40,638
Rental income received	924	877
Sales of goods	1,132	1,829
	<u>39,041</u>	<u>40,638</u>

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

Nature of transactions	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Services fee paid	1,046	1,664
Sales of goods	1,296	89
Rental income received	157	–
Management fee received	507	186
	<u>2,906</u>	<u>1,939</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005 HK\$'000	2004 HK\$'000
Short-term benefits	8,855	11,361
Post-employment benefits	20	91
Share-based payments	211	221
	<u>9,086</u>	<u>11,673</u>

The remuneration of directors and key executives is determined by the Executive Resource and Compensation Committee having regard to the performance of individuals and market trends.

- (d) Besides, Mr. Kwong Chi Kin and Mr. Kwong Chi Keung, the minority shareholders of the Group and Ms. Law Yuk Oi, wife of Mr. Kwong Chi Kin gave their personal guarantee and pledged their deposits and investment funds to banks to secure general banking facilities granted to the Group amounting to approximately HK\$67,335,000 (2004: Nil).

38. AMOUNTS DUE TO MINORITY SHAREHOLDERS

Amounts are unsecured, interest-free and are repayable on demand.

39. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries at 31 December 2005 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
Best-Set Typesetter Limited Guangzhou	Contributed capital	PRC (<i>Note 1</i>)	US\$1,010,023	100%	Typesetting
Geltin Limited	Ordinary	Hong Kong	HK\$1,000	100%	Property holding
Panyu Excel Printing United Company Limited	Contributed capital	PRC (<i>Note 1</i>)	HK\$43,000,000	100%	Printing of books
Shenzhen SNP Leefung Printers Co., Ltd.	Contributed capital	PRC (<i>Note 2</i>)	US\$1,500,000	90%	Printing of magazines
SNP Best-Set Typesetter Limited	Ordinary	Hong Kong	HK\$600,000	100%	Typesetting
SNP Excel (Hong Kong) Company Limited	Ordinary	Hong Kong	HK\$7,000,000	100%	Printing of books
SNP Excel (Thailand) Co., Ltd.	Ordinary	Thailand	Baht107,800,000	99.96%	Printing of books
	Preference (<i>Note 3</i>)		Baht112,200,000	98.93%	

PART V – FINANCIAL INFORMATION RELATING TO 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	Hong Kong	HK\$10,000	100%	Investment holding
	Deferred (Note 4)		HK\$7,500,000	100%	and trading of books and packaging products
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.	Contributed capital	PRC (Note 1)	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 (Note 1)	US\$15,000,000	100%	Printing of books and magazines
SNP Leefung Properties Limited	Ordinary	Hong Kong	HK\$2	100%	Property holding
SNP Yau Yue Paper Products Limited	Ordinary	Hong Kong	HK\$4,400,000	60%	Printing of packaging products

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 company is a wholly foreign owned enterprise in the PRC.
2. The company is a cooperative joint venture establishment in the PRC.
3. 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.
4. 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.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

Details of the Group's associates which are held by the Company indirectly at 31 December 2005 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.	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.

40. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005 HK\$'000	2004 HK\$'000
Interests in subsidiaries	73,024	73,024
Amounts due from subsidiaries	846,884	737,595
Other current assets	631	547
Amounts due to subsidiaries	(165,895)	(155,380)
Other current liabilities	(1,088)	(2,804)
	<u>753,556</u>	<u>652,982</u>
Share capital	50,341	40,273
Reserves	<u>703,215</u>	<u>612,709</u>
	<u>753,556</u>	<u>652,982</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

3. UNAUDITED INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

The following information has been reproduced from the unaudited interim results announcement of the Group for the six month period ended 30 June 2006, which have been reviewed by the Company's audit committee:

CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue		765,742	703,162
Cost of sales		<u>(613,746)</u>	<u>(553,627)</u>
Gross profit		151,996	149,535
Other operating income		3,683	2,587
Selling and distribution costs		(67,536)	(62,525)
Administrative expenses		(48,993)	(48,238)
Gain on disposal of property, plant and equipment		560	2,476
Finance costs	4	(18,400)	(7,926)
Share of results of associates		<u>953</u>	<u>1,867</u>
Profit before tax	5	22,263	37,776
Income tax expenses	6	<u>(5,930)</u>	<u>(5,664)</u>
Profit for the period		<u>16,333</u>	<u>32,112</u>
Attributable to:			
Equity holders of the parent		13,138	30,173
Minority interests		<u>3,195</u>	<u>1,939</u>
		<u>16,333</u>	<u>32,112</u>
Interim dividend		<u>–</u>	<u>10,068</u>
Basic earnings per share	7	<u>HK2.61 cents</u>	<u>HK7.37 cents</u>
Interim dividend per share		<u>–</u>	<u>HK2 cents</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

CONSOLIDATED BALANCE SHEET

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		571,605	593,112
Prepaid lease payments		114,204	114,539
Goodwill		169,807	169,807
Interests in associates		106,934	83,801
		962,550	961,259
Current assets			
Inventories		216,012	239,165
Trade and bills receivables	8	579,401	623,158
Prepaid lease payments		935	934
Prepayments, deposits and other receivables		73,409	60,925
Tax recoverable		1,051	2,973
Held-for-trading investments		3,415	4,144
Pledged bank deposits		–	630
Bank balances and cash		128,979	153,904
		1,003,202	1,085,833
Current liabilities			
Trade and bills payables	9	151,506	175,881
Other payables and accruals		118,510	98,809
Tax liabilities		12,442	8,108
Amount due to SNP Group		846	832
Amounts due to associates		15,312	24,102
Amounts due to minority shareholders		8,096	8,096
Bank borrowings due within one year		212,967	240,503
Obligations under finance leases due within one year		3,116	3,432
Derivative financial instruments		5,630	4,893
		528,425	564,656
Net current assets		474,777	521,177
Total assets less current liabilities		1,437,327	1,482,436
Non-current liabilities			
Bank borrowings due after one year		457,246	510,925
Obligations under finance leases due after one year		1,686	3,095
Deferred tax liabilities		19,675	19,553
		478,607	533,573
		958,720	948,863
EQUITY			
Capital and reserves			
Share capital		50,341	50,341
Reserves		875,194	868,483
Equity attributable to equity holders of the parent		925,535	918,824
Minority interests		33,185	30,039
		958,720	948,863
		958,720	948,863

Notes:

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34: Interim Financial Reporting and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2005.

2. IMPACT OF NEW/REVISED HKFRSS AND HKASS

The HKICPA has issued a number of new and revised HKFRSs and HKASs and Interpretations that are effective for accounting periods commencing on or after 1 January 2006. The Group has assessed the potential impact on application of the following HKFRSs and HKASs and Interpretations and does not have any material effect on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease

3. SEGMENT INFORMATION

(a) Business segments

For the 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.

Inter-segment sales are charged at prevailing market prices.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

Segment information about these businesses is presented below:

For the six months ended 30 June 2006

	Printing of books and magazines Unaudited HK\$'000	Printing of packaging products Unaudited HK\$'000	Printing of pop-up and touch-and- feel books Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue					
External sales	379,618	195,572	190,552	–	765,742
Inter-segment sales	192	494	5,308	(5,994)	–
Total	<u>379,810</u>	<u>196,066</u>	<u>195,860</u>	<u>(5,994)</u>	<u>765,742</u>
Result					
Segment result	<u>43,481</u>	<u>8,616</u>	<u>457</u>	<u>–</u>	52,554
Unallocated corporate expenses					(12,844)
Finance costs					(18,400)
Share of results of associates	(49)	1,002	–	–	<u>953</u>
Profit before tax					22,263
Income tax expenses					<u>(5,930)</u>
Profit for the period					<u>16,333</u>

For the six months ended 30 June 2005

	Printing of books and magazines Unaudited HK\$'000	Printing of packaging products Unaudited HK\$'000	Printing of pop-up and touch-and- feel books Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue					
External sales	372,649	97,422	233,091	–	703,162
Inter-segment sales	149	4,235	1,075	(5,459)	–
Total	<u>372,798</u>	<u>101,657</u>	<u>234,166</u>	<u>(5,459)</u>	<u>703,162</u>
Result					
Segment result	<u>43,393</u>	<u>(726)</u>	<u>15,532</u>	<u>–</u>	58,199
Unallocated corporate expenses					(14,364)
Finance costs					(7,926)
Share of results of associates	886	981	–	–	<u>1,867</u>
Profit before tax					37,776
Income tax expenses					<u>(5,664)</u>
Profit for the period					<u>32,112</u>

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

(b) Geographical segments

	Six months ended 30 June	
	2006	2005
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Segment Revenue		
People's Republic of China	206,087	188,044
Hong Kong, SAR	97,434	41,795
Taiwan	88,269	32,938
The United States of America	204,910	258,784
United Kingdom	106,852	121,732
Australia	10,119	20,588
Other areas	52,071	39,281
	765,742	703,162
	765,742	703,162

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group's ratio of profit to turnover.

4. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	12,717	5,198
Bank and other borrowings wholly repayable over five years	5,490	2,613
Obligation under finance leases	193	115
	18,400	7,926
	18,400	7,926

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2006	2005
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	109,362	106,592
– Retirement benefit scheme contributions, net of forfeited contributions of nil (2005: nil)	2,862	2,642
	112,224	109,234
Total staff costs	112,224	109,234
Auditors' remuneration	896	823
Depreciation of property, plant and equipment	37,245	34,503
Minimum lease payment under operating leases:		
– Plant and machinery	29	69
– Properties	7,962	5,668
	7,991	5,737
	7,991	5,737

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

	Six months ended 30 June	
	2006	2005
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Exchange gain, net	(2,313)	(35)
Reversal of inventories, net	(11)	–
Allowance for doubtful debts, net	9,484	539
Rental income	(523)	(458)
Less: outgoings	510	400
	<hr/>	<hr/>
Net rental income	(13)	(58)
Interest income	(1,391)	(835)
Share of tax of associates (included in share of results of associates)	763	775
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2006	2005
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Current tax:		
– Hong Kong	5,448	3,764
– Other jurisdictions	1,460	1,900
	<hr/>	<hr/>
	6,908	5,664
Overprovision in prior years:		
– Hong Kong	(900)	–
– Other jurisdictions	–	–
Deferred taxation	(78)	–
	<hr/>	<hr/>
	5,930	5,664
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

7. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the parent of HK\$13,138,000 (2005: HK\$30,173,000), and the weighted average of 503,408,647 shares (2005: 409,573,275 shares as restated) in issue during the year. The weighted average numbers of ordinary shares for the purpose of basic earnings per share have been adjusted for the Rights Issue on 14 July 2005.

No diluted earnings per share have been presented because the exercise prices (as adjusted for the effect of share-based payments) of the Company's options were higher than the average market prices of the shares for both financial periods.

PART V – FINANCIAL INFORMATION RELATING TO THE GROUP

8. TRADE AND BILLS RECEIVABLES

The Group allows different credit periods to its trade customers depending on the type of printing services provided. Credit periods vary from 90 to 180 days in accordance with the industry practice.

An aged analysis of the trade and bills receivables, based on payment due date, and net of allowance, is as follows:

	30 June 2006	31 December 2005
	Unaudited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within credit period	413,358	345,744
1 – 30 days	82,203	141,657
31 – 60 days	25,820	62,215
61 – 90 days	16,305	33,580
Over 90 days	41,715	39,962
	<u>579,401</u>	<u>623,158</u>

The fair value of the Group's trade and bills receivables at 30 June 2006 was approximate to the corresponding carrying amount.

9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables, based on payment due date, is as follows:

	30 June 2006	31 December 2005
	Unaudited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	134,742	148,797
31 – 60 days	4,962	11,901
61 – 90 days	3,902	7,423
91 – 120 days	1,148	3,569
Over 120 days	6,752	4,191
	<u>151,506</u>	<u>175,881</u>

The fair value of the Group's trade and bills payables at 30 June 2006 was approximate to the corresponding carrying amount.

4. SHARE CAPITAL

The authorised share capital and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:

<u>1,000,000,000</u>	Shares	<u>HK\$100,000,000</u>
----------------------	--------	------------------------

Issued and fully paid:

<u>503,408,647</u>	Shares	<u>HK\$50,340,865</u>
--------------------	--------	-----------------------

Each of the Shares ranks pari passu in all respects, including dividends, voting and capital.

No Shares have been issued since 31 December 2005, being the end of the last financial year of the Company.

Other than the Shares and Options, the Company has no other outstanding equity securities (including equity related convertible securities or warrants, options or subscription rights in respect of any equity share capital, including non-transferable options).

5. INDEBTEDNESS STATEMENT

As at 31 July 2006, the Group had outstanding borrowings of approximately HK\$709.91 million. The borrowings comprised secured and unsecured bank loans of approximately HK\$17.37 million and HK\$656.09 million respectively; secured and unsecured trust receipt loans of approximately HK\$20.70 million and HK\$11.24 million respectively; and finance lease payables of approximately HK\$4.51 million.

As at 31 July 2006, the Group has pledged property, plant and equipment having a net book value of approximately HK\$10.90 million to secure general banking facilities granted to the Group.

Save as aforesaid or otherwise mentioned in this Scheme Document, the Group had no other material contingent liabilities or outstanding mortgages, charges, loan capital issued and outstanding or agreed to be issued, bank loans and overdrafts or other similar indebtedness as at the close of business on 31 July 2006.

6. MATERIAL CHANGES

As disclosed in the interim results announcement of the Company dated 13 July 2006, a customer from the Company's pop-up division has filed for Chapter 11 in the United States in May 2006. In view of this, the Group made a provision for bad debts of HK\$9.5 million in its interim accounts for the six months ended 30 June 2006 in respect of trade receivables from this customer. Save as disclosed above, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2005 (being the date to which the last published audited consolidated accounts of the Group were made up) up to and including the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 30 June 2006 of the property interests of the Group.



Sallmanns

Corporate Valuation and Consultancy

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10 August 2006

The Board of Directors
SNP Leefung Holdings Limited
10th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which SNP Leefung Holdings Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in Hong Kong, the People’s Republic of China (the “PRC”) and Thailand, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purposes of providing you with our opinion of the value of the property interests as at 30 June 2006 (the “date of valuation”).

Our valuations of the property interests represent the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have valued the property interests in Group I by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the properties in the PRC and Thailand, there are no market sales comparables readily available, the property interests in Groups II and III have been valued on the basis of their depreciated replacement cost.

PART VI – PROPERTY VALUATIONS

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the Market Value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Groups IV, V and VI, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing those property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People’s Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30th June, 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been, in some instances, provided by the Group with extracts of the title documents relating to the properties in the PRC and have caused searches to be made at the Hong Kong Land Registries in respect of Hong Kong properties. Where possible, we have

PART VI – PROPERTY VALUATIONS

searched the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Group's PRC legal adviser – 廣東信達律師事務所 (Guangdong Xinda Law Firm), concerning the validity of the Group's titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars. The exchange rates adopted in our valuations are as follows:

HK\$1 = Renminbi (“RMB”) 1.03

HK\$1 = Thai Bhat (“B”) 4.90

The above exchange rates are the prevailing exchange rates as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 23 years' experience in the valuation of properties in the PRC and 26 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

PART VI – PROPERTY VALUATIONS

SUMMARY OF VALUES**Group I – Property interests held by the Group in Hong Kong**

No.	Property	Market value in existing state as at 30 June 2006 HK\$	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2006 HK\$
1	10th Floor Wing On House No. 71 Des Voeux Road Central Hong Kong	90,900,000	100%	90,900,000
2.	Workshop Units 3, 4 and 5 on 12th Floor Hong Kong Worsted Mills Industrial Building Nos. 31-39 Wo Tong Tsui Street Kwai Chung New Territories Hong Kong	8,210,000	100%	8,210,000
3.	Unit B on 13th Floor Mai Wah Industrial Building Nos. 1/7 Wah Sing Street Kwai Chung New Territories Hong Kong	2,130,000	60%	1,278,000
			Sub-total:	<hr/> 100,388,000 <hr/>

PART VI – PROPERTY VALUATIONS

Group II – Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2006 <i>HK\$</i>	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2006 <i>HK\$</i>
4.	A parcel of land, various buildings and structures located at Neihuan Road Nanshan District Shenzhen The PRC	47,880,000	100%	47,880,000
5.	Two parcels of land, various buildings and structures located at Jinju Administrative Zone Dalingshan Town Dongguan City Guangdong Province The PRC	73,200,000	100%	73,200,000
			Sub-total:	121,080,000

Group III – Property interest owned and occupied by the Group in Thailand

No.	Property	Market value in existing state as at 30 June 2006 <i>HK\$</i>	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2006 <i>HK\$</i>
6.	99 and 99/12 Moo 6 Patong Subdistrict Soi Dao District Chantaburi 22180 Thailand	11,910,000	100%	11,910,000
			Sub-total:	11,910,000

PART VI – PROPERTY VALUATIONS

Group IV – Property interest rented and occupied by the Group in Thailand

No. Property	Market value attributable to the Group as at 30 June 2006 HK\$
7. 3rd Floor St Louis Square 149/1-10 Chan Road Tung Wat Don Sathorn Bangkok 10120 Thailand	No commercial value

Sub-total:	_____ Nil

Group V – Property interests rented and occupied by the Group in Hong Kong

No. Property	Market value attributable to the Group as at 30 June 2006 HK\$
8. Unit 3 on 17th Floor of Block 48 Heng Fa Chuen No. 100 Shing Tai Road Hong Kong	No commercial value
9. Flat F on 3rd Floor of Block 17 Sceneway Garden No. 8 Sceneway Road Kowloon Hong Kong	No commercial value

Sub-total:	_____ Nil

PART VI – PROPERTY VALUATIONS

Group VI – Property interests rented and occupied by the Group in the PRC

No. Property	Market value attributable to the Group as at 30 June 2006 HK\$
10. A parcel of land, various buildings and structures located at Rongshuzi Langbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
11. Four parcels of land, various buildings and structures located at Langwei Road Xiaolong Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
12. An industrial building in Bangjiangdong Village Shilian Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
13. Portions of simple-structured warehouse Warehouses Nos. 2 and 3 Lianhuashan Warehouses Lianhuashan Port Panyu District Guangzhou City Guangdong Province The PRC	No commercial value

PART VI – PROPERTY VALUATIONS

No. Property	Market value attributable to the Group as at 30 June 2006 <i>HK\$</i>
14. Various residential units located at Jiafu Garden Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
15. Portion of a warehouse and a dormitory building Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
16. A factory building Xishe Longbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
17. 46 dormitory units Longji North Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value

PART VI – PROPERTY VALUATIONS

No.	Property	Market value attributable to the Group as at 30 June 2006 HK\$
18.	Unit 303 Block 4 Jinhaian Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
19.	Unit 1202 Entrance 1 Block 5 Meixinfeicuimingting Qinghe East Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
20.	Unit 1004 Block 16 Hailunbao Nanhua Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value
21.	Portion of Level 1, Levels 2 and 3 No. 3 Da Song Gang Jiang Nan Main Avenue Guangzhou City Guangdong Province The PRC	No commercial value

PART VI – PROPERTY VALUATIONS

No. Property	Market value attributable to the Group as at 30 June 2006 <i>HK\$</i>
22. Units 16A and 18C Block 16 Taohuayuan Phase 3 Shekou Shenzhen The PRC	No commercial value
23. Portion of a warehouse Laobu Town Dongguan City Guangdong Province The PRC	No commercial value
24. Portion of a warehouse External Trade Industrial Park Dongcheng District Dongguan City Guangdong Province The PRC	No commercial value
	<hr/>
	Sub-total: <hr/> Nil
	Total: <hr/> <hr/> 233,378,000

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Group I – Property interests held by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
1. 10th Floor Wing On House No. 71 Des Voeux Road Central Hong Kong (1,350/42,700th Shares of Section A of Marine Lot No. 381 and the Remaining Portion of Marine Lot No. 381)	The property consists of 11 units on the 10th floor of a 32-storey office/commercial building completed in about 1967. The property has a total gross floor area of approximately 1,481.42 sq.m. (15,946 sq.ft.) The property is held under a Government Lease for a term of 999 years commencing from 15 August 1903.	The property is currently occupied by the Group for office purposes.	90,900,000 (100% interest attributable to the Group: HK\$90,900,000)

Notes:

1. The registered owner of the property is SNP Leefung Properties Limited vide Memorial No. 9165612 dated 27 August 2003.
2. SNP Leefung Properties Limited is a wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant with Plans vide Memorial No. UB2199280 dated 15 December 1981.
4. SNP Leefung Properties Limited would not be subject to any material potential tax liability if the property was sold.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
2. Workshop Units 3, 4 and 5 on 12th Floor Hong Kong Worsted Mills Industrial Building Nos. 31-39 Wo Tong Tsui Street Kwai Chung New Territories Hong Kong (80/3,223th Shares of Lot No. 730 in D.D. 450)	The property comprises 3 workshops on the 12th floor of a 24-storey industrial building completed in about 1983. The property has a total gross floor area of approximately 1,438.32 sq.m. (15,482 sq.ft.) The property is held under New Grant No. 3612 for a term of 75 years renewable for 24 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current Government Rent payable for the property is 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group as a warehouse.	8,210,000 (100% interest attributable to the Group: HK\$8,210,000)

Notes:

1. The registered owner of the property is Geltin Limited vide Memorial No. TW827334 dated 31 March 1992.
2. Geltin Limited is a wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. TW281167 dated 29 April 1983.
4. Geltin Limited would not be subject to any material potential tax liability if the property was sold.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
3. Unit B on 13th Floor Mai Wah Industrial Building Nos. 1/7 Wah Sing Street Kwai Chung New Territories Hong Kong (12/1,282th Shares of Kwai Chung Town Lot Nos. 118 and 119)	The property comprises a unit on the 13th floor of a 23-storey industrial building completed in about 1974. The property has a saleable area of approximately 2,712 sq.ft. The property is held under New Grant Nos. 4670 and 4671 for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current Government Rent payable for the property is 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group for warehouse purposes.	2,130,000 (60% interest attributable to the Group: HK\$1,278,000)

Notes:

1. The registered owner of the property is Yau Yue Paper Products Limited vide Memorial No. TW932788 dated 3 December 1993.
2. Yau Yue Paper Products Limited (now renamed as SNP Yau Yue Paper Products Limited) is a 60% interest owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. TW118934 dated 31 December 1974.
4. SNP Yau Yue Paper Products Limited would not be subject to any material potential tax liability if the property was sold.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Group II – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
4. A parcel of land, various buildings and structures located at Neihuan Road Nanshan District Shenzhen The PRC	<p>The property comprises a parcel of land with a site area of approximately 21,278 sq.m. and 6 buildings and various ancillary structures erected thereon.</p> <p>The major buildings comprise a factory, an ancillary building and a pumping station completed between 1993 and 1994.</p> <p>The property has a total gross floor area of approximately 35,343.4 sq.m. (380,436 sq.ft.)</p> <p>The land use rights of the property were granted for a term of 30 years commencing from 18 April 1987 and expiring on 17 April 2017 for industrial uses.</p>	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	<p>47,880,000</p> <p>(100% interest attributable to the Group: HK\$47,880,000)</p>

Notes:

1. Pursuant to a Realty Title Certificate – Shen Fang Di Zi Di No. 0305939 (深房地字第0305939號) dated 2 May 1995 issued by the People’s Government of Shenzhen, the land use rights of the land with a site area of approximately 21,278 sq.m. and the 3 buildings (a factory, an ancillary building and a pumping station) with a total gross floor area of approximately 33,899.4 sq.m. are held by SNP Leefung Printers (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company.
2. In the valuation of this property, we have not attributed any commercial value to the 3 buildings (a warehouse, a dangerous goods warehouse and a guard room) with a total gross floor area of approximately 1,444 sq.m. which have not been granted with any proper title ownership certificates. However, for reference purposes, we are of the opinion that the depreciated replacement cost of these buildings as at the date of valuation would be HK\$630,000 assuming all relevant title ownership certificates have been obtained.
3. We have been provided with a legal opinion regarding the property interest by the Group’s PRC legal adviser, which contains, inter alia, the following information:
 - (i) The property (save and except buildings mentioned in note 2 above) is legally vested in SNP Leefung Printers (Shenzhen) Co., Ltd.
 - (ii) SNP Leefung Printers (Shenzhen) Co., Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property (save and except buildings mentioned in note 2 above) freely, no additional payment of any land premium or other substantial taxes and expenses are required to be paid for the transfer of the property.
 - (iii) Regarding the warehouse mentioned in note 2 above, construction work planning permit has been obtained and it has passed the construction completion inspection and fire safety inspection. SNP Leefung Printers (Shenzhen) Co., Ltd. has the legal right to construct the warehouse and is the owner thereof. There is no legal impediment for SNP Leefung Printers (Shenzhen) Co., Ltd. to obtain the realty title certificate of the warehouse. However, unless and until the realty title certificate has been obtained, such warehouse cannot be transferred or mortgaged.
 - (iv) Regarding the dangerous goods warehouse and guard room mentioned in note 2 above, no construction work planning permit has been obtained and no construction completion inspection and fire safety inspection has been carried out. The relevant government authority may order demolition of the same or require ratification work to be carried out and impose penalty.

PART VI – PROPERTY VALUATIONS

- (v) SNP Leefung Printers (Shenzhen) Co., Ltd. would need to pay the following tax and/or fee if the property were sold:
- (a) 營業稅 (Business tax) = (Selling price – Original acquisition price) X 5%
 - Original acquisition price is the acquisition price registered in the title ownership certificate
 - (b) 城建稅 (Town construction tax) = Business tax X 1%
 - (c) 教育附加費 (Education addition fee) = Business tax X 3%
 - (d) 土地增值稅 (Land value added tax) = Increased amount X Progressive rate
 - Increased amount = Selling price – Original acquisition price – Relevant tax/fee
 - Relevant tax/fee includes business tax, stamp duty, town construction tax, education addition fee and transaction service fee and agency fee during the transaction
 - Original acquisition price and relevant tax/fee are defined as “Deducted Amount”
 - Progressive rate equals 30% if increased amount does not exceed 50% of Deducted Amount, 40% if increased amount exceeds 50% but does not exceed 100% of Deducted Amount, 50% if increased amount exceeds 100% but does not exceed 200% of Deducted Amount and 60% if increased amount exceeds 200% of Deducted Amount
 - (e) 印花稅 (Stamp duty) = (Selling price X 0.05%)
 - (f) 所得稅 (Profit tax) = (Selling price – Original acquisition price – Relevant tax/fee) X 15%
 - (g) 交易服務費 (Transaction service fee) = gross floor area of the property X RMB3

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>
5.	Two parcels of land, various buildings and structures located at Jinju Administrative Zone Dalingshan Town Dongguan City Guangdong Province The PRC	The property comprises two parcels of land with a total site area of approximately 104,001 sq.m. and 13 buildings and various ancillary structures erected thereon. The major buildings comprise two 2-storey factories, a single storey warehouse and four 7-storey dormitories completed between 1996 and 1998. The property has a total gross floor area of approximately 78,088.965 sq.m. (840,550 sq.ft.) The land use rights of the property were granted for terms expiring between August 2045 and December 2045 respectively.	73,200,000 (100% interest attributable to the Group: HK\$73,200,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1995) Zi Di Te No. 339 (東府國用(1995)字第特339號) dated 25 October 1995, issued by the People's Government of Guangdong Province, the land use rights of the land with a site area of approximately 63,332 sq.m. are held by SNP Leefung Packaging & Printing (Dongguan) Co., Ltd., a wholly-owned subsidiary of the Company, for a term of 50 years commencing from August 1995 and expiring in August 2045 for industrial uses.
2. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1996) Zi Di Te No. 30 (東府國用(1996)字第特30號) dated 24 January 1996, issued by the People's Government of Guangdong Province, the land use rights of the land with a site area of approximately 40,669 sq.m. are held by SNP Leefung Packaging & Printing (Dongguan) Co., Ltd., for a term of 50 years commencing from December 1995 and expiring in August 2045 for industrial uses.
3. Pursuant to various Realty Title Certificates, all issued by the People's Government of Guangdong Province, the following buildings are held by SNP Leefung Packaging & Printing (Dongguan) Co., Ltd.

Description	No. of Storeys	GFA (sq.m.)	Realty Title Certificate	Date of Certificate
Factory No. 1	2	20,404.80	Yue Fang Di Zheng Di No. C0349189	27-02-2002
Factory No. 4	2	10,420.80	Yue Fang Di Zheng Di No. C0349190	27-02-2002
Warehouse No. 6	1	8,118.01	Yue Fang Di Zheng Di No. C1299510	21-03-2003
Dormitory No. 10A	7	4,554.61	Yue Fang Di Zheng Di No. C1299512	21-03-2003
Dormitory No. 10B	7	4,468.03	Yue Fang Di Zheng Di No. C1299511	21-03-2003
Dormitory No. 10C	7	4,607.195	Yue Fang Di Zheng Di No. C0349188	27-03-2002
Dormitory No. 10D	7	1,909.01	Yue Fang Di Zheng Di No. C1994502	23-10-2003
Canteen No. 11A	3	3,618.51	Yue Fang Di Zheng Di No. C1994503	22-10-2003

PART VI – PROPERTY VALUATIONS

4. In the valuation of this property, we have not attributed any commercial value to the 5 buildings (Workshop No. 5, Paper Warehouse No. 7, Generation Room No. 8, Boiler Room No. 9, and Senior Staff Quarter No. 11B) with a total gross floor area of approximately 19,988 sq.m. which have not been granted with any proper title ownership certificates. However, for reference purposes, we are of the opinion that the depreciated replacement cost of these buildings as at the date of valuation would be HK\$15,300,000 assuming all relevant title ownership certificates have been obtained.
5. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The property (save and except the buildings mentioned in note 4 above) is legally vested in SNP Leefung Packaging & Printing (Dongguan) Co., Ltd.
 - (ii) SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. has the right to lease, transfer, mortgage and deal with the land use right and building ownership right of the property (save and except the buildings mentioned in note 4 above) freely, no additional payment of any land premium or other substantial taxes and expenses are required for the transfer of such property.
 - (iii) Save and except that fire safety inspection certificate has been issued in respect of Workshop No. 5 and Paper Warehouse No. 7, no construction work planning permit has been obtained in respect of the 5 buildings mentioned in note 4 above and no construction completion inspection and fire safety inspection has been carried out. The relevant government authority may order demolition of the same or require ratification work to be carried out and impose penalty.
 - (iv) SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. would need to pay the following tax and/or fee if the property were sold:
 - (a) 營業稅 (Business tax) = (Selling price – Original acquisition and construction cost) X 5%
 - (Original acquisition and construction cost is the acquisition cost of the land plus construction cost of the buildings and also relevant tax paid during acquisition)
 - (b) 城建稅 (Town construction tax) = Business tax X 1%
 - (c) 教育附加費 (Education addition fee) = Business tax X 3%
 - (d) 土地增值稅 (Land value added tax) = Increased amount X Progressive rate
 - Increased amount = Selling price – Original acquisition and construction cost – Relevant tax/fee
 - Relevant tax/fee includes business tax, stamp duty, town construction tax, education addition fee and transaction service fee and agency fee during the transaction
 - Original acquisition and construction cost and relevant tax/fee are defined as "Deducted Amount"
 - Progressive rate equals 30% if increased amount does not exceed 50% of Deducted Amount; progressive rate equals 40% if increased amount exceeds 50% but does not exceed 100% of Deducted Amount; progressive rate equals 50% if increased amount exceeds 100% but does not exceed 200% of Deducted Amount; and progressive rate equals 60% if increased amount exceeds 200% of Deducted Amount
 - (e) 印花稅 (Stamp duty) = (Selling price X 0.05%)
 - (f) 所得稅 (Profit tax) = (Selling price – Original acquisition and construction cost – Relevant tax/fee) X 15%
 - (g) 交易服務費 (Transaction service fee) = gross floor area of the property X RMB3

PART VI – PROPERTY VALUATIONS

- (h) 房地產價格評估費 (Real estate valuation fee) is generally paid by the purchaser but subject to the negotiation between the vendor and the purchaser, and is paid in accordance with the following fee scale:
- (0.5% of the selling price if the selling price does not exceed RMB1million; 0.25% of the selling price if the selling price exceeds RMB1million but does not exceed RMB10million; 0.15% of the selling price if the selling price exceeds RMB10million but does not exceed RMB20million; 0.08% of the selling price if the selling price exceeds RMB20million but does not exceed RMB50million; 0.04% of the selling price if the selling price exceeds RMB50million but does not exceed RMB80million; 0.02% of the selling price if the selling price exceeds RMB80million but does not exceed RMB100million; and 0.01% of the selling price if the selling price exceeds RMB100million)
- (i) 房地產權建檔費 (Real estate title record fee) is generally paid by the purchaser but subject to the negotiation between the vendor and the purchaser, and is paid in accordance with the following fee scale:
- Real estate title record fee varies in accordance with the gross floor area of the property which equals RMB50 if gross floor area of the property does not exceed 150 sq.m.; real estate title record fee equals RMB300 if gross floor area of the property exceeds 150 sq.m. but does not exceed 800 sq.m.; and real estate title record fee equals RMB400 if gross floor area of the property exceeds 800 sq.m.
- (j) 房產測繪費 (Real property surveying fee) is generally paid by the purchaser but subject to the negotiation between the vendor and the purchaser, and is paid in accordance with the following fee scale:
- Real property surveying fee varies in accordance with the gross floor area of the property which equals RMB80 if gross floor area of the property does not exceed 50 sq.m.; real property surveying fee equals RMB120 if gross floor area of the property exceeds 50 sq.m. but does not exceed 100 sq.m.; and additional real estate title record fee of RMB40 for every 100 sq.m. exceeded (round up to the nearest 100 sq.m.) if gross floor area of the property exceeds 100 sq.m.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Group III – Property interest owned and occupied by the Group in Thailand

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>
6. 99 and 99/12 Moo 6 Patong Subdistrict Soi Dao District Chantaburi 22180 Thailand	<p>The property comprises a parcel of land with a site area of approximately 68,524 sq.m. and 10 buildings (one of the buildings with a gross floor area 960 sq.m. is under construction and 70% completed) and various ancillary structures erected thereon.</p> <p>The major buildings comprise 2 factory buildings, a transformer room, an accessory stock-shed, a town house, a kitchen and a toilet completed between 1999 and 2006.</p> <p>The property has a total gross floor area of approximately 16,580 sq.m. (178,467 sq.ft.).</p>	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	<p>11,910,000</p> <p>(100% interest attributable to the Group: HK\$11,910,000)</p>

Notes:

1. SNP Excel (Thailand) Co., Ltd. is a wholly owned subsidiary of the Company.
2. According to two Title Deed Nos. 3155 and 3158, the registered owner of the property is SNP Excel (Thailand) Co., Ltd..
3. In the valuation of this property, we have not attributed any commercial value to 6 buildings with a total gross floor area of approximately 5,447 sq.m. which are without proper title ownership. However, for reference purposes, we are of the opinion that the depreciated replacement cost of these buildings as at the date of valuation would be HK\$5,350,000 assuming all relevant title ownership has been obtained.
4. SNP Excel (Thailand) Co., Ltd. would need to pay the following tax/fee if the property was sold:
 - (i) Transfer fee = 2% of the government appraised value of the property (generally, 50% paid by the seller)
 - (ii) Stamp duty = 0.5% of the government appraised value or actual selling price of the property, whichever is higher
 - (iii) Special business tax = 3.3% of the government appraised value or actual selling price of the property, whichever is higher
 - (iv) Withholding tax = 1% of the government appraised value or actual selling price of the property, whichever is higher

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Group IV – Property interest rented and occupied by the Group in Thailand

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>
7. 3rd Floor St Louis Square 149/1-10 Chan Road Tung Wat Don Sathorn Bangkok 10120 Thailand	<p>The property comprises 11 units on 3rd floor of a 6-storey commercial building completed in about 1999.</p> <p>The property has a lettable area of approximately 459 sq.m. (4,941 sq.ft.).</p> <p>The property is leased to SNP Excel (Thailand) Co., Ltd. from Srisuvadi Co., Ltd., an independent third party, for a term commencing from 19 March 2006 and expiring on 31 March 2009 at a monthly rent of Baht50,000 exclusive of management fee and other outgoings.</p>	The property is currently occupied by the Group for office purposes.	No commercial value

Notes:

1. We have not attributed any commercial value to the property due mainly to the short-term nature of the lease and sub-letting is subject to approval by the lessor.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Group V – Property interests rented and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
8. Unit 3 on 17th Floor of Block 48 Heng Fa Chuen No. 100 Shing Tai Road Hong Kong	<p>The property comprises a unit on the 17th floor of a 22-storey residential building completed in about 1989.</p> <p>The property has a gross floor area of approximately 765 sq.ft.</p> <p>The property is leased to SNP Best-Set Typesetter Limited, a wholly owned subsidiary of the Company, from Chase City International Limited, an independent third party, for a term of 2 years commencing from 16 December 2005 and expiring on 15 December 2007 at a monthly rent of HK\$9,000 inclusive of management fee and rates.</p>	The property is currently occupied by the Group for staff quarters purposes.	No commercial value
9. Flat F on 3rd Floor of Block 17 Sceneway Garden No. 8 Sceneway Road Kowloon Hong Kong	<p>The property comprises a unit on the 3rd floor of a 28-storey residential building completed in about 1991.</p> <p>The property has a gross floor area of approximately 913 sq.ft.</p> <p>The property is leased to SNP Excel (Hong Kong) Company Limited, a wholly owned subsidiary of the Company, from Yuen Kam Ying, an independent third party, for a term of 2 years commencing from 1 February 2005 and expiring on 31 January 2007 at a monthly rent of HK\$10,500 inclusive of management fee and rates.</p>	The property is currently occupied by the Group for staff quarters purposes.	No commercial value

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Group VI – Property interests rented and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
10. A parcel of land, various buildings and structures located at Rongshuzi Langbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 14,880 sq.m. and 2 buildings and various ancillary structures erected thereon.</p> <p>The two buildings include a 3-storey office building and a 3-storey industrial building completed in about 2002.</p> <p>The property has a total gross floor area of approximately 16,777.6 sq.m. (180,594 sq.ft.)</p>	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	No commercial value

Notes:

1. According to a Tenancy Agreement entered into between 梁銳波 (Liang Ruibo) and 曾錫華 (Zeng Xihua) and Panyu Excel Printing United Company Limited, a wholly owned subsidiary of the Company, dated 8 January 2002, a parcel of land with a site area of 14,880 sq.m. was leased to Panyu Excel Printing United Co., Ltd. for a term of 50 years commencing from 1 December 2000 and expiring on 30 November 2050 at a monthly rent and management fee of RMB1.80 per sq.m. for the first 5 years with 10% increase every 5 years up to RMB3.189 per sq.m.
2. Pursuant to a State-owned Land Use Rights Certificate – Pan Guo Yong (2002) Zi Di. No. G08-001336 (番國用(2002)字第G08-001336號), issued by the People’s Government of Guangzhou City on 12 November 2003, the land use rights were granted to Panyu Excel Printing United Company Limited for a term expiring on 7 February 2052 for industrial uses.
3. In our valuation, we have not attributed any commercial value to the land which Panyu Excel Printing United Co., Ltd. does not have the rights to freely transfer, sublet or mortgage the land.
4. In the valuation of this property, we have not attributed any commercial value to the 2 buildings (an office building and an industrial building) with a total gross floor area of approximately 16,777.6 sq.m. which have not been granted with any proper title ownership certificates. However, for reference purposes, we are of the opinion that the depreciated replacement cost of these buildings as at the date of valuation would be HK\$15,100,000 assuming all relevant title ownership certificates have been obtained.
5. We have been provided with a legal opinion regarding the property interest by the Group’s PRC legal adviser, which contains, inter alia, the following information:
 - (i) As restricted by the terms of the Tenancy Agreement, the tenant is not allowed to lease, mortgage or transfer the property or use the property as security for any loan. The tenant shall notify the landlord in writing if it sublets the property. The tenant’s ownership rights over the property are restricted.
 - (ii) Upon expiration of the term of the Tenancy Agreement, the tenant shall transfer the property to the landlord. The tenant has obligation to transfer the property to the names of the landlord at the landlord’s costs.
 - (iii) There is no legal impediment for the tenant to obtain the realty title certificate of the buildings. However, unless and until the realty title certificates have been obtained, such buildings cannot be leased.
 - (iv) The tenancy agreement is binding on the parties thereto but not third party. As the tenant has obtained the State-owned Land Use Rights Certificate, the chances of the tenant’s rights under the tenancy agreement being challenged or objected by any third party is relatively low.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>
11. Four parcels of land, various buildings and structures located at Langwei Road Xiaolong Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises 4 parcels of land with a total site area of approximately 38,300.1 sq.m. and 12 buildings and ancillary structures erected thereon.</p> <p>The buildings mainly include a 3-storey industrial building, a 5-storey dormitory, a warehouse, a workshop, 2 simple-structured factories, 2 dangerous goods storage rooms, a transformer room, 2 material-sheds and a guard house. The buildings were completed between 1995 and 2001.</p> <p>The property has a total gross floor area of approximately 29,100 sq.m. (313,232.4 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party for a common term expiring on 31 December 2043. <i>(see notes below)</i></p>	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	No commercial value

Notes:

- Pursuant to four Tenancy Agreements entered into between 番禺市石基鎮小龍村經濟合作社 (Xiaolong Economic Cooperative of Shiji Town of Panyu City) and Panyu Excel Printing United Co., Ltd., a wholly-owned subsidiary of the Company, the following land parcels together with the buildings erected upon were leased to Panyu Excel Printing United Company Limited for a common term expiring on 31 December 2043.

Description	Site Area <i>(sq.m.)</i>	Monthly Rent <i>(RMB)</i>	Term		Date of Tenancy Agreement
			Commencement	Expiry	
Land #1	20,666.0	89,277	31/12/1993	31/12/2043	11/09/1993
Land #2	3,097.8	5,911	31/12/1993	31/12/2043	11/09/1993
Land #3	13,984.3	28,276	01/05/1998	31/12/2043	09/03/1998
Land #4	552.0	878	01/01/2000	31/12/2043	01/01/2000
	38,300.1				

PART VI – PROPERTY VALUATIONS

Rent Review

- Land #1 The current rent is RMB89,277 which will increase for 3% from 1 January 2008 and will be subject to rental increase of 6% at triennial basis.
- Land #2 The current rent is RMB5,911 which will increase for 3% from 1 January 2009 and will be subject to rental increase of 6% at triennial basis until the rent reach the level of RMB3.20 per sq.m.
- Land #3 The current rent is RMB28,276 which will increase for 3% from 1 May 2009 and will be subject to rental increase of 6% at triennial basis until the rent reach the level of RMB3.20 per sq.m.
- Land #4 The current rent is RMB878 which will increase to RMB930 from 1 January 2007 and will be subject to rental increase of 6% at triennial basis.
2. According to the above 4 Tenancy Agreements (except Tenancy Agreement of Land #4), Panyu Excel Printing United Company Limited shall construct its own factories, dormitory and ancillary facilities. Panyu Excel Printing United Company Limited shall thereafter lease the lands together with the buildings erected upon from 番禺市石基鎮小龍村經濟合作社 (Xiaolong Economic Cooperative of Shiji Town of Panyu City) for the terms stated in note 1. For reference proposes, we are of the opinion that the depreciated replacement cost of these buildings as at the date of valuation would be HK\$13,500,000 assuming all relevant title ownership certificates have been obtained.
3. According to our recent on-site inspection, the following buildings are erected on the land with a site area of 34,003.3 sq.m.

Description	No. of Storeys	Year of Completion	Gross Floor Area (sq.m.)
Factory Building	3	1995	11,464.2
Dormitory Building	5	1995	2,872.9
Warehouse	1	1998	1,300.0
Simple-structured factory #1	1	1998	3,072.0
Simple-structured factory #2	1	1998	3,072.0
Material-Shed #1	1	1998	478.4
Material-Shed #2	1	1998	636.6
Workshop	1	1998	608.2
Dangerous Good Storage #1	1	2000	54.6
Dangerous Good Storage #2	1	2000	61.9
Transformer Room	1	2000	54.0
Guard House	1	1995	38.0
Total:			23,712.8

4. According to a Tenancy Agreement entered into between 番禺市石基鎮小龍村經濟合作社 (Xiaolong Economic Cooperative of Shiji Town of Panyu City) and Panyu Excel Printing United Company Limited, a parcel of land with a site area of 552 sq.m. and an industrial building with a gross floor area of 5,387.2 sq.m. were leased to Panyu Excel Printing United Co., Ltd. for a term expiring on 31 December 2043 at a monthly rent of RMB28,552 for industrial uses.
5. Pursuant to a Stated-owned Land Use Rights Certificate, Pan Fu Guo Yong (2001) Zi Di No. G08-000292 (番府國用(2001)字第G08-000292號), issued by the People's Government of Guangdong Province on 28 August 2001, a parcel of land with a site area of approximately 34,003.3 sq.m. is held by 番禺市石基鎮小龍村經濟合作社 (Xiaolong Economic Cooperative of Shiji Town of Panyu City) for a term expiring on 7 December 2044.

PART VI – PROPERTY VALUATIONS

6. Pursuant to 2 Real Estate Title Certificates, Yue Fang Di Zheng Zi Di No. C1140356 and C1140357 (粵房地證字第C1140356及C1140357號), both issued by the People's Government of Guangdong Province on 31 October 2002, a 3-storey industrial building with a gross floor area of approximately 11,464.2 sq.m. and a 5-storey dormitory with a gross floor area of approximately 2,872.9 sq.m. were held by 廣州市番禺區石基鎮小龍村經濟合作社 (Xiaolong Economic Cooperative of Shiji Town of Panyu District of Guangzhou City) for a term expiring on 7 December 2044 for industrial uses.
7. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreements in respect of Land #1-4 have not been registered with the state-owned land administration authority. The relevant authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties.
 - (ii) The construction work planning procedure and the fire safety and construction completion inspections have not been carried out in respect of the buildings (save and except those mentioned in note 6 above). The relevant government authority may order completion of such procedures, demolition of such buildings or require ratification work to be carried out and impose penalty.
 - (iii) The landlord has the right to lease the land and buildings mentioned in notes 5 and 6 above to the tenant but it does not have the right to lease the land and buildings other than those mentioned in notes 5 and 6. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant. The tenancy agreements are binding on the parties thereto but not third party.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>												
12. An industrial building in Bangjiangdong Village Shilian Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a warehouse with dormitory facilities completed in about 2001.</p> <p>The warehouse has a gross floor area of approximately 10,336 sq.m. (111,257 sq.ft.)</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right;">GFA (sq.m.)</th> <th style="text-align: right;">GFA (sq.ft.)</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Warehouse</td> <td style="text-align: right;">6,970</td> <td style="text-align: right;">75,025</td> </tr> <tr> <td style="text-align: left;">Dormitory</td> <td style="text-align: right; border-bottom: 1px solid black;">3,366</td> <td style="text-align: right; border-bottom: 1px solid black;">36,232</td> </tr> <tr> <td style="text-align: left;">Total</td> <td style="text-align: right; border-bottom: 3px double black;">10,336</td> <td style="text-align: right; border-bottom: 3px double black;">111,257</td> </tr> </tbody> </table>		GFA (sq.m.)	GFA (sq.ft.)	Warehouse	6,970	75,025	Dormitory	3,366	36,232	Total	10,336	111,257	The property is currently occupied by the Group for warehouse and dormitory purposes.	No commercial value
	GFA (sq.m.)	GFA (sq.ft.)													
Warehouse	6,970	75,025													
Dormitory	3,366	36,232													
Total	10,336	111,257													
	<p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party for a term of 12 years commencing from 1 March 2001 at a monthly rent of RMB113,696, subject to rental increase of 10% every 3 years, exclusive of all outgoings.</p>														

Notes:

1. Pursuant to a Tenancy Agreements entered into between 番禺區石基鎮傍江東村經濟發展公司 (Economic Development Company of Bangjiangdong Village of Shiji Town of Panyu District) and Panyu Excel Printing United Company Limited, a warehouse together with dormitory facilities were leased to Panyu Excel Printing United Company Limited for a term of 12 years commencing from 1 March 2001 at a monthly rent of RMB113,696, subject to rental increase of 10% every 3 years, exclusive of all outgoings.

2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.

 - (ii) According to 4 building construction planning permits, the owner of the land of the property is Bangjiangdong Village Economic Cooperative, Shiji Town, Panyu City. As confirmed by the owner, the landlord and the owner belong to the same economic organization. The landlord has the right to lease the property. According to the documents provided and the search results, there is no evidence to show that the owner or the landlord has obtained land use right certificate or building ownership certificate of the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, its failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
13. Portions of simple-structured warehouse, Warehouses Nos. 2 and 3 Lianhuashan warehouses Lianhuashan Port Panyu District Guangzhou City Guangdong Province The PRC	The property comprises portions of a simple-structured warehouse and warehouse nos. 2 and 3. Panyu Excel Printing United Company Limited leased from an independent third party portions of a simple-structured warehouse at a daily rent of RMB0.8 per ton and 2 other warehouse at a daily rent of RMB1 per ton for an unspecified term commencing from 7 March 2000 exclusive of all outgoings.	The property is currently occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 番禺區口岸實業公司蓮花山公共保稅庫 (Panyu District Port Industry Company Lianhuashan Warehouse) and Panyu Excel Printing United Company Limited dated 7 March 2000, Panyu District Port Industry Company Lianhuashan Warehouse agrees to lease out the simple-structured warehouse at a daily rent of RMB0.8 per ton and warehouse no. 2 and 3 at a daily rent of RMB1 per ton for an unspecified term commencing from 7 March 2000 exclusive of all outgoings. The area of occupation by Panyu Excel Printing United Company Limited varies dependant on the amount of storage.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreements have not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreements are binding on the parties thereto.
 - (ii) As no land use right certificate or building ownership certificate has been provided, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>
14. Various residential units located at Jiafu Garden Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises 8 residential units in residential development completed in about 1996.</p> <p>The property has a total gross floor area of approximately 1,296.5 sq.m. (13,956 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from independent third parties at a total monthly rent of RMB10,550 exclusive of all outgoings.</p>	The property is currently occupied by the Group for residential purposes.	No commercial value

Notes:

- Panyu Excel Printing United Company Limited has leased the following 8 residential units in Jiafu Garden, Panyu District, Guangdong Province, the PRC.

Unit	Gross Floor Area <i>(sq.m.)</i>	Monthly Rent <i>(RMB)</i>	Lease Term
D2-A1	112	900	Monthly basis (original term expired)
D6-A3	112	650	Monthly basis (original term expired)
A36	260	2,000	Monthly basis (original term expired)
C4-A3	95	700	Monthly basis (original term expired)
D11-A2	113.5	900	Monthly basis (original term expired)
A19	260	2,200	Monthly basis (original term expired)
A33	260	2,200	1/1/2006 to 31/12/2006
E1-B3	84	1,000	1/4/2006 to 31/3/2007

- We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - The original tenancy agreements have not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreements to be binding on the parties. The tenancy agreements are binding on the parties thereto.
 - Unit D11-A2 is held by joint ownership. If the landlord cannot obtain the consent of the other joint owner and cause damage to the tenant, the landlord shall be responsible for the tenant's loss.
 - As the real estate title certificates of Units A36, C4-A3, A19, A33, E1-B3, D2-A1 and D6-A3 have not been provided, the PRC legal adviser cannot confirm that the respective landlord has the right to lease the relevant unit. If the tenant is evicted from the unit due to any dispute on the landlord's ownership to the same, his failure to obtain the real estate title certificate or resumption of the property, the respective landlord shall be responsible for all damages suffered by the tenant.
 - For the expired tenancy agreements, though the tenancy agreements have not renewed in writing, it is considered as continuance of lease terms as the relevant parties are still executing tenancy agreements.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 <i>HK\$</i>
15. Portion of a warehouse and a dormitory building Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	The property comprises a warehouse and a dormitory. The buildings were completed between 1997 and 1998. The buildings have a total gross floor area of approximately 1,980.4 sq.m. (21,317 sq.ft.)	The property is currently occupied by the Group for warehouse and dormitory purposes.	No commercial value

	GFA <i>(sq.m.)</i>	GFA <i>(sq.ft.)</i>
Warehouse	1,200	12,917
Dormitory	780.4	8,400
Total	1,980.4	21,317

The property is leased to Panyu Excel Printing United Company Limited from an independent third party at monthly basis at a monthly rent of RMB19,700 inclusive of tax but exclusive of all outgoings.

Notes:

1. The property is rented from 大龍五金鐵門廠 (Dalong Metals and Steel Sash Factory) to Panyu Excel Printing United Company Limited at monthly basis (original term expired) at a monthly rent of RMB19,700 inclusive of tax but exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The landlord is the legal owner of the property and has the right to lease the property to the tenant.
 - (ii) The original tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damage to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.
 - (iii) For the expired tenancy agreement, though the tenancy agreement has not renewed in writing, it is considered as continuance of lease term as the relevant parties are still executing tenancy agreement.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
16. A factory building Xishe Longbian Village Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a factory building completed in 2003.</p> <p>The property has a gross floor area of approximately 4,293.48 sq.m. (46,215 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party for an unspecified term commencing from 1 June 2003 at a monthly rent of RMB27,000, subject to rental review every two years not exceeding increase of 5%, exclusive of all outgoings.</p>	The property is currently occupied by the Group for industrial purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 壘邊材經濟合作社 (Langbian Village Economic Cooperative) and Panyu Excel Printing United Company Limited dated 27 January 2003, the property was leased to Panyu Excel Printing United Company Limited for an unspecified term commencing from 1 June 2003 at a monthly rent of RMB27,000, subject to rental review every two years not exceeding increase of 5%, exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damage to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.
 - (ii) As no land use right certificate or building ownership certificate has been provided, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
17. 46 residential units Longji Road North Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises 46 dormitory units in a residential building completed in 2003.</p> <p>The property has a total gross floor area of approximately 1,500 sq.m. (16,146 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party for a term of 3 years commencing from 1 April 2006 at a monthly rent of RMB3,000 exclusive of all outgoings.</p>	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 江懷卿 (Jiang Huai Qing) and Panyu Excel Printing United Company Limited dated 15 February 2006, the property was leased to Panyu Excel Printing United Company Limited for a term of 3 years commencing from 1 April 2006 at a monthly rent of RMB3,000 exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The landlord is the legal owner of the property and has the right to lease the property to the tenant.
 - (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the owner and parties thereto.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
18. Unit 303 Block 4 Jinhaian Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a residential unit on level 4 of a residential building completed in 2003.</p> <p>The property has a total gross floor area of approximately 105 sq.m. (1,130 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party at monthly basis at a monthly rent of RMB2,300 exclusive of all outgoings.</p>	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. The property is leased from 李建良 (Li Jian Liang) to Panyu Excel Printing United Company Limited at monthly basis (original term expired) at a monthly rent of RMB2,300 exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The original tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.
 - (ii) As no land use right certificate or building ownership certificate has been provided, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.
 - (iii) For the expired tenancy agreement, though the tenancy agreement has not renewed in writing, it is considered as continuance of lease term as the relevant parties are still executing tenancy agreement.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
19. Unit 1202 Entrance 1 Block 5 Meixinfeicuimingting Qinghe East Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a residential unit of a residential building completed in 2000s.</p> <p>The property has a total gross floor area of approximately 103 sq.m. (1,109 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party for a term of 1 year expiring on 19 September 2006 at a monthly rent of RMB2,200 exclusive of all outgoings.</p>	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 成小燕 (Cheng Xiao Yan) and Panyu Excel Printing United Company Limited dated 19 September 2005, the property was leased to Panyu Excel Printing United Company Limited for a term of 1 year expiring on 19 September 2006 at a monthly rent of RMB2,200 exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damage to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.
 - (ii) As no land use right certificate or building ownership certificate has been provided, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
20. Unit 1004 Block 16 Hailunbao Nanhua Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a residential unit of a residential building completed in 2000s.</p> <p>The property has a total gross floor area of approximately 123.4 sq.m. (1,328 sq.ft.)</p> <p>The property is leased to Panyu Excel Printing United Company Limited from an independent third party for a term of 1 year expiring on 21 June 2007 at a monthly rent of RMB3,500 exclusive of all outgoings.</p>	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 李清華 (Lin Qing Hua) and Panyu Excel Printing United Company Limited dated 20 June 2006, the property was leased to Panyu Excel Printing United Company Limited for a term of 1 year expiring on 21 June 2007 at a monthly rent of RMB3,500 exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damage to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the parties thereto.
 - (ii) As no land use right certificate or building ownership certificate has been provided, the PRC legal adviser cannot confirm that the landlord has the right to lease the property. If the tenant is evicted from the property due to any dispute on the landlord's ownership to the property, his failure to complete the construction procedure or to obtain the ownership certificate or resumption of the property, the landlord shall be responsible for all damages suffered by the tenant.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
21. Portion of Level 1, Levels 2 and 3 No. 3 Da Song Gang Jiang Nan Main Avenue Guangzhou City Guangdong Province The PRC	<p>The property comprises a portion of level 1 and the whole of levels 2 and 3 of a composite building and a portion of level 2 of an adjacent building completed in about 1994.</p> <p>The property has a total gross floor area of approximately 2,010 sq.m. (21,636 sq.ft.)</p> <p>The property is leased to Best-Set Typesetter Limited Guangzhou from an independent third party for a term of 10 years expiring on 31 July 2015 at a monthly rent of RMB35,180, subject to increase of 6% from the sixth year, inclusive of management fee but exclusive of all other outgoings.</p>	The property is currently occupied by the Group for industrial and dormitory purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 廣州市萬裕諮詢服務有限公司 (Guangzhou City Wanyu Consultancy Services Limited) and Best-Set Typesetter Limited Guangzhou, a wholly owned subsidiary of the Company, dated 1 August 2005, the property was leased to Best-Set Typesetter Limited Guangzhou for a term of 10 years expiring on 31 July 2015 at a monthly rent of RMB35,180, subject to increase of 6% from the sixth year, inclusive of management fee but exclusive of all other outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The owner of the property is 廣州市海珠區人民政府江南中街道辦事處 (Guangzhou City Haizhu District People's Government Jiang Nan Zhong Street Office). The lessor is authorised by the owner to lease out the property.
 - (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damage to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the owner and parties thereto. As the lessor has been authorised by the owner to lease the property, the chances of the tenant's rights under the tenancy agreement being challenged or objected by any third party is relatively low.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
22. Units 16A and 18C Block 16 Taohuayuan Phase 3 Shekou Shenzhen The PRC	<p>The property comprises 2 residential units of a residential building completed in 2000s.</p> <p>The property has a total gross floor area of approximately 205 sq.m. (2,207 sq.ft.)</p> <p>The property is leased to SNP Leefung Printers (Shenzhen) Co., Ltd. from an independent third parties for different terms at a total monthly rent of RMB7,500 exclusive of all outgoings.</p>	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 范成登 (Fan Cheng Deng) and SNP Leefung Printers (Shenzhen) Co., Ltd. dated 7 March 2006, Unit 16A of the property with a gross floor area of 100 sq.m. was leased to SNP Leefung Printers (Shenzhen) Co., Ltd. for a term of 1 year commencing from 15 March 2006 at a monthly rent of RMB3,500 exclusive of all outgoings.
2. Pursuant to a Tenancy Agreement entered into between 黄忠平 (Huang Zhong Ping) and SNP Leefung Printers (Shenzhen) Co., Ltd. dated 23 February 2006, Unit 18C of the property with a gross floor area of 105 sq.m. was leased to SNP Leefung Printers (Shenzhen) Co., Ltd. for a term of 1 year commencing from 1 March 2006 at a monthly rent of RMB4,000 exclusive of all outgoings.
3. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) Both units are held by joint ownership. If the landlords cannot obtain the consent of the other joint owners and cause damage to the tenants, the landlords shall be responsible for the tenants' loss.
 - (ii) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the owner and parties thereto.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
23. Portion of a warehouse Liaobu Town Dongguan City Guangdong Province The PRC	<p>The property comprises a portion of warehouse completed in 1990s.</p> <p>The property has a total gross floor area of approximately 2,643 sq.m. (28,449 sq.ft.)</p> <p>The property is leased to SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. from an independent third party at monthly basis at a monthly rent of RMB35,680.5 exclusive of all outgoings.</p>	<p>The property is currently occupied by the Group for warehouse purposes.</p>	No commercial value

Notes:

1. The property is leased from 东莞市三和物流有限公司 (Dongguan Sanhe Logistics Limited) to SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. at monthly basis (original term expired) at a monthly rent of RMB35,680.5 exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The original tenancy agreements have not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreements to be binding on the parties. The tenancy agreements are binding on the owner and parties thereto.
 - (ii) The relevant parties are still executing the original tenancy agreements.

PART VI – PROPERTY VALUATIONS

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2006 HK\$
24. Portion of a warehouse External Trade Industrial Park Dongcheng District Dongguan City Guangdong Province The PRC	<p>The property comprises a portion of a warehouse completed in 2000s.</p> <p>The property has a total gross floor area of approximately 4,690 sq.m. (50,483 sq.ft.)</p> <p>The property is leased to SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. from an independent third party for a term of 1 year expiring on 30 December 2006 at a monthly rent of RMB77,385 exclusive of all outgoings.</p>	The property is currently occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between 東莞市福榮商業有限公司 (Dongguan Furong Commerce Limited) and SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. dated 13 January 2006, the property was leased to SNP Leefung Packaging & Printing (Dongguan) Co., Ltd. for a term of 1 year expiring on 30 December 2006 at a monthly rent of RMB77,385 exclusive of all outgoings.
2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The tenancy agreement has not been registered with the leasing administration authority. The leasing administration authority may order the parties to complete the registration procedure and impose penalty. If the landlord fails to complete the registration procedure and causes damages to the tenant, the tenant is entitled to claim such damages against the landlord. Registration is not a condition for the tenancy agreement to be binding on the parties. The tenancy agreement is binding on the owner and parties thereto.

1. RESPONSIBILITY STATEMENTS

The information in this Scheme Document (other than that relating to SNP Corp and future intentions of SNP Corp with respect to the Group, for which the directors of SNP Corp accept full responsibility) has been supplied by the Directors. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document have been arrived at after due and careful consideration and there are no other facts (other than those relating to SNP Corp and future intentions of SNP Corp) not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The information in this Scheme Document (other than that relating to the Group) has been supplied by the directors of SNP Corp. The issue of this Scheme Document has been approved by the directors of SNP Corp, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group) not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. MARKET PRICES

Shares are traded on the Stock Exchange.

- (a) The table below shows the respective closing prices of the Shares on the Stock Exchange: (i) on the last trading day of each of the calendar months during the period commencing 6 months preceding the date of the Announcement up to the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) on the Latest Practicable Date.

Date	Price per Share <i>HK\$</i>
30 December 2005	1.01
27 January 2006	1.13
28 February 2006	1.25
31 March 2006	1.29
28 April 2006	1.40
30 May 2006	1.17
30 June 2006	1.62
31 July 2006	1.63
Last Trading Day	1.05
Latest Practicable Date	1.63

- (b) The highest and lowest closing prices of the Shares recorded on the Stock Exchange, during the period from 23 December 2005 (being the date six months prior to the date of the Announcement) to the Latest Practicable Date, were HK\$1.63 during the period commencing 6 July 2006 up to and including the Latest Practicable Date and HK\$0.95 during the period commencing 13 June 2006 up to and including 15 June 2006, respectively.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in Shares and Options of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this Scheme Document pursuant to the requirements of the Takeovers Code, were as follows:

(i) *Long positions in shares of the Company*

Director	Capacity	Number of Shares held	Approximate percentage of total issued share capital of the Company
Peter, Yang Sze Chen	Beneficial owner	900,000	0.18%
	Held by controlled corporation (<i>Note</i>)	16,514,867	3.28%
		17,414,867	3.46%

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

PART VII – GENERAL INFORMATION

(ii) *Long positions in underlying shares of the Company*

	Date of grant	Number of share Options outstanding as at the Latest Practicable Date	Number of underlying shares	Exercise price per share <i>HK\$</i>
<i>Director</i>				
Yeo Chee Tong	9 October 2003	562,500	562,500	1.421
	25 November 2004	281,250	281,250	1.029
	12 April 2005	281,250	281,250	1.597
	28 October 2005	600,000	600,000	1.140
		1,725,000	1,725,000	
		1,725,000	1,725,000	

The Options granted may be exercised in accordance with the terms of the relevant share option schemes 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.

PART VII – GENERAL INFORMATION

(iii) *Long positions in shares and underlying shares of the associated corporation of the Company, SNP Corp*

(a) As at the Latest Practicable Date, the following Directors had the following shareholdings in SNP Corp:

Directors	Capacity	Number of shares held	Approximate percentage of total issued share capital of SNP Corp
Yeo Chee Tong	Beneficial owner	1,039,553	0.89%
	Held by spouse	<u>70,000</u>	<u>0.06%</u>
		1,109,553	0.95%
Edmund, Cheng Wai Wing	Beneficial owner	<u>35,000</u>	<u>0.03%</u>
		<u><u>1,144,553</u></u>	<u><u>0.98%</u></u>

PART VII – GENERAL INFORMATION

(b) As at the Latest Practicable Date, the following Directors had the following interests in the share options of SNP Corp:

Name of directors	Capacity	Number of share options held as at the Latest Practicable Date	Number of underlying shares	Exercise price S\$	Exercisable period
Peter, Yang Sze Chen	Beneficial owner	1,250	1,250	1.29	15 October 2004 to 14 October 2013
		1,250	1,250	1.29	15 October 2005 to 14 October 2013
		1,250	1,250	1.29	15 October 2006 to 14 October 2013
		1,250	1,250	1.29	15 October 2007 to 14 October 2013
		5,000	5,000	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
		2,750	2,750	0.92	27 October 2006 to 26 October 2015
		2,750	2,750	0.92	27 October 2007 to 26 October 2015
		2,750	2,750	0.92	27 October 2008 to 26 October 2015
		2,750	2,750	0.92	27 October 2009 to 26 October 2015
		5,500	5,500	1.02	25 April 2007 to 24 April 2016
		5,500	5,500	1.02	25 April 2008 to 24 April 2016
		5,500	5,500	1.02	25 April 2009 to 24 April 2016
		5,500	5,500	1.02	25 April 2010 to 24 April 2016
		<u>69,000</u>	<u>69,000</u>		

PART VII – GENERAL INFORMATION

Name of directors	Capacity	Number of share options held as at the Latest Practicable Date	Number of underlying shares	Exercise price S\$	Exercisable period
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
		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
		37,500	37,500	0.92	27 October 2006 to 26 October 2015
37,500	37,500	0.92	27 October 2007 to 26 October 2015		
37,500	37,500	0.92	27 October 2008 to 26 October 2015		
37,500	37,500	0.92	27 October 2009 to 26 October 2015		
75,000	75,000	1.02	25 April 2007 to 24 April 2016		
75,000	75,000	1.02	25 April 2008 to 24 April 2016		
75,000	75,000	1.02	25 April 2009 to 24 April 2016		
75,000	75,000	1.02	25 April 2010 to 24 April 2016		
		<u>1,060,000</u>	<u>1,060,000</u>		

PART VII – GENERAL INFORMATION

Name of directors	Capacity	Number of share options held as at the Latest Practicable Date	Number of underlying shares	Exercise price S\$	Exercisable period
Edmund, Cheng Wai Wing	Beneficial owner	30,000	30,000	0.59	15 April 2004 to 14 April 2008
		50,000	50,000	1.19	21 April 2005 to 20 April 2009
		55,000	55,000	0.90	19 April 2006 to 18 April 2010
		<u>55,000</u>	<u>55,000</u>	1.02	25 April 2007 to 24 April 2011
		<u>190,000</u>	<u>190,000</u>		
John Robert Walter	Beneficial owner	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>77,000</u>	<u>77,000</u>	1.02	25 April 2007 to 24 April 2011
		<u>242,000</u>	<u>242,000</u>		
		<u>1,561,000</u>	<u>1,561,000</u>		

PART VII – GENERAL INFORMATION

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

As at the Latest Practicable Date, the following Directors had the following interests in shares and underlying shares of the associated corporations (other than SNP Corp) of the Company:

Name of directors and company in which interest is held	Capacity	Number of shares held	Percentage of issued share capital as at the Latest Practicable Date
(a) Interest in Singapore Technologies Engineering Ltd			
Ordinary shares in the company			
Yeo Chee Tong	Beneficial owner	<u>2,568</u>	<u>0.00%</u>
(b) Interest in Singapore Telecommunications Ltd			
Ordinary shares in the company			
Yeo Chee Tong	Beneficial owner	5,590	0.00%
	Held by spouse	<u>1,616</u>	<u>0.00%</u>
		<u>7,206</u>	<u>0.00%</u>
(c) Interest in Telechoice International Limited			
Ordinary shares in the company			
Yeo Chee Tong	Beneficial owner	<u>9,000</u>	<u>0.00%</u>
(d) Interest in SembCorp Industries Ltd.			
Ordinary shares in the company			
Edmund, Cheng Wai Wing	Held by spouse	<u>30,400</u>	<u>0.00%</u>

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

PART VII – GENERAL INFORMATION

(b) Interests and short positions of substantial Shareholders in the securities of the Company

Save as disclosed below, as at the Latest Practicable Date, the Company had not been notified of any other person (other than the Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following parties, other than a Director or chief executive of the Company, have an interest or short position in the shares of the Company and 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 is, 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:

Name of shareholder	Capacity	Number of ordinary shares	Percentage of issued share capital as at the Latest Practicable Date
SNP Corporation Ltd	Beneficial owner	380,381,985	75.56
Green Dot Capital Pte Ltd	Held by controlled corporation (<i>Note</i>)	380,381,985	75.56
Temasek Capital (Private) Limited	Held by controlled corporation (<i>Note</i>)	380,381,985	75.56
Temasek Holdings (Private) Limited	Held by controlled corporation (<i>Note</i>)	380,381,985	75.56

Note:

These shares were held through SNP Corporation Ltd, a company in which Green Dot Capital Pte Ltd, a wholly owned subsidiary of Temasek Capital (Private) Limited, has approximately 54% shareholding. Temasek Capital (Private) Limited is a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

(c) Interests in SNP Corp

As at the Latest Practicable Date, Green Dot Capital Pte Ltd, a wholly-owned subsidiary of Temasek Capital (Private) Ltd, which, in turn, is wholly-owned by Temasek Holdings (Private) Limited, the substantial shareholder of SNP Corp owning 54.27% of the issued share capital of SNP Corp.

As at the Latest Practicable Date, save as disclosed in (3)(a)(iii)(a) and (3)(a)(iii)(b) above, none of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of SNP Corp.

(d) Other interests in the Company

As at the Latest Practicable Date,

- (i) save as disclosed in section 3(a)(ii) regarding the Options held by Mr. Yeo Chee Tong, a Director and a director of SNP Corp and 3(b) regarding SNP Corp's shareholding interest in the Company above, none of SNP Corp, the directors of SNP Corp, parties acting in concert with SNP Corp and the Directors were interested in or owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme;
- (iii) save for Mr. Yeo Chee Tong's employment contract with SNP Corp, there is no agreement, arrangement or understanding (including any compensation arrangement) existed between SNP Corp or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Scheme;
- (iv) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with SNP Corp or any person acting in concert with it;
- (vi) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vii) no person prior to the posting of this Scheme Document had irrevocably committed himself or herself to accept or reject the Scheme;
- (viii) none of the advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code (excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company; and
- (ix) as at the Latest Practicable Date, Mr. Yang, being the only Director interested in the Shares, will consider the terms and advice contained in the Scheme Document, in particular the letter from the Independent Financial Adviser before deciding his voting decisions in the Court Meeting and the Special General Meeting.

PART VII – GENERAL INFORMATION

(e) **Dealings in securities**

- (a) save for the Sale and Purchase Agreement entered into between SNP Corp and the Vendors for the acquisition by SNP Corp of 23,324,000 Shares, none of SNP Corp, its directors or parties acting in concert with SNP Corp had dealt for value in any securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;
- (b) save as disclosed below, neither the Company nor any of its Directors had dealt for value in the securities of SNP Corp and none of the Directors had dealt for value in the securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

Date	Director	Event of dealings	Number of SNP Corp's shares
14 February 2006	Yeo Chee Tong	Award of SNP Corp's shares under SNP Corp performance share plan	36,000
14 March 2006	Yeo Chee Tong	Sale of SNP Corp's shares	124,500
28 March 2006	John Robert Walter	Exercise of SNP Corp's share option	30,000
22 May 2006	John Robert Walter	Sale of SNP Corp's shares	30,000

- (c) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed "Consents" in this Appendix nor any adviser to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;
- (d) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

- (e) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with SNP Corp or parties acting in concert with it had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date; and
- (f) no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

5. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any of its subsidiaries had, after the date two years prior to the date of the Announcement up to the Latest Practicable Date, entered into any contracts which are or may be material, other than in the ordinary course of business carried on or intended to be carried on by the Company or other members of the Group.

- (a) the deed of indemnity dated 14 August 2004 executed by SNP Corp in favour of the Group in relation to property related issues relating to SNP Excel (Hong Kong) Company Limited and its subsidiaries;
- (b) the deed of indemnity dated 14 August 2004 executed by SNP Corp in favour of the Group in relation to property related issues relating to SNP Excel (Thailand) Co. Ltd.;
- (c) the deed of variation dated 14 August 2004 entered into between SNP Corp and the Company in relation to the amendment of the non-competition undertakings in the agreements referred to in paragraphs (a) and (b) above;
- (d) the deed of indemnity dated 14 August 2004 executed by SNP Corp in favour of the Group in relation to estate duty, taxation and the failure of SNP Excel (Hong Kong) Company Limited, SNP Excel (Thailand) Co. Ltd. and CTT & Associates Limited and their subsidiaries in obtaining the relevant permits, licences and certificates to carry on their respective businesses; and
- (e) the deed of variation dated 2 February 2005 entered into between SNP Corp and the Company in relation to the amendment of the cap amount as stated in the agreement dated 7 August 2003 entered into between SNP Corp and the Company relating to their sales and purchase of paper and paper related products.
- (f) 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 Paper

Products Limited, representing 60% of the issued share capital of Yau Yue Paper Products Limited, 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.

6. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Company or any of its subsidiaries or associated companies which (i) have been entered into or amended within 6 months before the commencement of the offer period (including both continuous and fixed term contracts), being 28 December 2005; (ii) are continuous contracts with a notice period of 12 months or more; and (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. LITIGATION

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

8. MISCELLANEOUS

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Scheme.
- (b) As at the Latest Practicable Date, save for Mr. Yeo Chee Tong's employment contract with SNP Corp, there is no material contract to which SNP Corp is a party in which any Director has a material personal interest.
- (c) As at the Latest Practicable Date, there is no agreement or arrangement to which SNP Corp is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.
- (d) The Directors are Mr. Peter, Yang Sze Chen, Mr. Yeo Chee Tong, Mr. John Robert Walter, Mr. Edmund, Cheng Wai Wing, Mr. Joseph, Lai Ming and Ms. Alice, Kan Lai Kuen. The directors of SNP Corp are Mr. John Robert Walter, Mr. Yeo Chee Tong, Mr. Edmund, Cheng Wai Wing, Mr. Edmund, Koh Kian Chew and Mr. Alexander, Chan Meng Wah.
- (e) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (f) The registered and business address of SNP Corp is at 1 Kim Seng Promenade, #18-01 Great World City East Tower, Singapore 237994.

PART VII – GENERAL INFORMATION

- (g) The principal place of business of Somerley Limited is at Suite 2201, 22nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The principal place of business of CIMB-GK Securities (HK) Limited is at 25/F Central Tower, 28 Queen’s Road Central, Hong Kong.
- (h) All costs, charges and expenses of and incidental to this Scheme and the cost of carrying the Scheme into effect, will be borne by SNP Corp.
- (i) The English text of this Scheme Document, the forms of proxy, the Letter to Optionholders and Optionholders Form of Acceptance shall prevail over the Chinese text of such documents.
- (j) All announcements in relation to the Proposals will be published as paid announcements in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.
- (k) Save as disclosed in section 3 above, the Directors have no material interests in the Proposals as directors, shareholders or creditors of the Company or otherwise. All Scheme Shareholders are being treated the same under the Scheme, regardless of the size of their shareholding.

9. EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or given their opinion or advice which are contained in this Scheme Document:

Name	Qualification
CIMB-GK Securities (HK) Limited	a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Somerley Limited	a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Sallmanns (Far East) Limited	an independent property valuer

10. CONSENTS

Each of CIMB-GK Securities (HK) Limited, Somerley Limited and Sallmanns (Far East) Limited has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion in it of its opinions and/or letters and/or valuation reports and/or the references to its name and/or opinions and/or letters and/or valuation reports, in the form and context in which they respectively appear.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong during normal business hours (9 a.m. to 5 p.m.) on any weekday (Monday to Friday, public holidays excepted) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earliest:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the memorandum of association and Bye-laws of SNP Corp;
- (c) the audited consolidated financial statements of the Group for each of the years ended 31 December 2003, 31 December 2004 and 31 December 2005;
- (d) written consents of CIMB-GK Securities (HK) Limited, Somerley Limited and Sallmanns (Far East) Limited stating that they have given and not withdrawn their consent to the publication of their names in this Scheme Document;
- (e) the material contracts referred to in paragraph 5 of this Part VII;
- (f) the letter from the Board, the text of which is set out in Part I of this Scheme Document;
- (g) the letter of recommendation of the Independent Board Committee, the text of which is set out in Part II of this Scheme Document;
- (h) the letter from the Independent Financial Adviser, the text of which is set out in Part III of this Scheme Document; and
- (i) the letter and valuation certificate issued by Sallmanns (Far East) Limited, the text of which is set out in Part VI of this Scheme Document.

Copies of these documents will also be available for inspection on the Company's website at www.snpcorp.com and on the website of the SFC at www.sfc.hk until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earliest.

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION**

2006: NO. 217

**IN THE MATTER OF
SNP LEEFUNG HOLDINGS LIMITED
and
IN THE MATTER OF SECTION 99
OF THE COMPANIES ACT 1981 (AS AMENDED)**

**SCHEME OF ARRANGEMENT
between
SNP LEEFUNG HOLDINGS LIMITED
and
THE HOLDERS OF SCHEME SHARES (as defined herein)**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“Companies Act”	the Companies Act 1981 of Bermuda (as amended);
“Company”	SNP Leefung Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Court”	the Supreme Court of Bermuda;
“Court Meeting”	the meeting of the Scheme Shareholders convened at the direction of the Court;
“Effective Date”	the date (Bermuda time) on which this Scheme becomes effective in accordance with Clause 5 of this Scheme;

PART VIII – SCHEME OF ARRANGEMENT

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	7 August 2006, being the latest practicable date prior to the printing of the document containing this Scheme for the purpose of ascertaining certain information for inclusion herein;
“Record Date”	the last day (other than a Saturday) before the Effective Date on which banks are open for business in Hong Kong;
“Register”	the register of members of the Company;
“Scheme”	this scheme of arrangement under Section 99 of the Companies Act in its present form or with or subject to any modification thereof or addition thereto or condition(s) approved or imposed by the Court;
“Scheme Shareholders”	Shareholders other than SNP Corp;
“Scheme Shares”	the Shares held by the Scheme Shareholders as at 4:00 p.m. (Hong Kong time) on the Record Date;
“Shareholder”	a holder of Shares;
“Shares”	shares of HK\$0.10 each in the capital of the Company;
“SNP Corp”	SNP Corporation Ltd, a company incorporated in Singapore with limited liability whose shares are listed on the Singapore Exchange Securities Trading Limited; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

PART VIII – SCHEME OF ARRANGEMENT

- (B) The Company was incorporated on 3 June 1991 in Bermuda under the Companies Act and, as of the Latest Practicable Date, had an authorised share capital of HK\$100,000,000 divided into 1,000,000,000 Shares of which 503,408,647 Shares have been issued and are fully paid or credited as fully paid. The Shares are listed on the Main Board of the Stock Exchange.
- (C) The primary purposes of this Scheme are that:
- (i) the holders of Scheme Shares should receive cash, in consideration of the cancellation and extinguishment of the Scheme Shares, on the basis of HK\$1.68 in cash for every Scheme Share held by them; and
 - (ii) the Company should become a wholly-owned subsidiary of SNP Corp.
- (D) On the Latest Practicable Date, SNP Corp was the registered holder of an aggregate of 380,381,985 Shares fully paid representing approximately 75.56% of the issued share capital of the Company.
- (E) SNP Corp has undertaken, in relation to the Shares of which it is the registered holder, that SNP Corp will remain so registered in such Shares until the date on which the Scheme becomes effective, is withdrawn or lapses.
- (F) SNP Corp has agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme including, without limitation, satisfying its payment obligations under Part II of this Scheme.

THE SCHEME

PART 1

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing all the Scheme Shares; and
 - (b) the Company shall apply the credit arising in its books of account as a result of the said reduction referred to in Clause 1 (a) above to a reserve account in its books of account.

PART II

**CONSIDERATION FOR CANCELLATION AND
EXTINGUISHMENT OF THE SCHEME SHARES**

2. In consideration for the cancellation and extinguishment of the Scheme Shares, SNP Corp shall pay or procure to be paid to the persons who are holders of Scheme Shares (as appearing in the Register at 4:00 p.m. (Hong Kong time) on the Record Date) HK\$1.68 in cash for every Scheme Share held.
3.
 - (a) Not later than 10 calendar days after the Effective Date, SNP Corp shall send or cause to be sent to the holders of Scheme Shares (as appearing in the Register at 4:00 p.m. (Hong Kong time) on the Record Date) cheques in respect of the sums payable to such holders pursuant to Clause 2 of this Scheme.
 - (b) Unless indicated otherwise in writing to the branch share registrar of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, all such cheques shall be sent by ordinary post in pre-paid envelopes addressed to such holders at their respective addresses as appearing in the Register at 4:00 p.m. (Hong Kong time) on the Record Date or, in the case of joint holders of Shares, at the address appearing on such register at such time of that one of the joint holders whose name stands first in such Register in respect of the relevant joint holding.
 - (c) Cheques shall be posted at the risk of addressees and neither SNP Corp nor the Company shall not be responsible for any loss or delay in transmission.

PART VIII – SCHEME OF ARRANGEMENT

- (d) Each such cheque shall be payable to the order of the person to whom in accordance with the provisions of Clause 3(b) above the envelope containing the same is addressed and the encashment of any cheque shall be good discharge to SNP Corp for the monies represented thereby.
 - (e) On or after the day being six calendar months after the posting of the cheques pursuant to Clause 3 (b) above, SNP Corp shall have the right to cancel or countermand payment of any such cheque which has not then been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies until the expiration of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto and the cheques referred to in Clause 3(b) above of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to Clause 2 of this Scheme, calculated at the annual interest rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest tax or any withholding tax or any other deduction required by law. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled or not so entitled, as the case may be, which determination shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiration of six years from the Effective Date, SNP Corp shall be released from any further obligation to make any payments under this Scheme and the Company shall transfer to SNP Corp the balance (if any) of the sums then standing to the credit of the deposit account referred to in Clause 3(e) above including accrued interest subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.
 - (g) Clause 3(f) above shall take effect subject to any prohibition or condition imposed by law.
4. As from the Effective Date, all certificates representing the Scheme Shares shall cease to have effect as documents of title and every holder thereof shall be bound on the request of the Company to deliver up to the Company the certificates for his or her existing shareholdings in the Company.
 5. This Scheme shall become effective upon an office copy of the Order of the Court sanctioning this Scheme under Section 99 of the Companies Act being duly registered by the Registrar of Companies in Bermuda.
 6. Unless this Scheme shall have become effective as aforesaid on or before 31 December 2006 or such later date as the Court, on the application of the Company, may allow, this Scheme shall lapse.

PART VIII – SCHEME OF ARRANGEMENT

7. The Company and SNP Corp may jointly consent for and on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Court may think fit to approve or impose.

8. The expenses and costs incurred by the Company in connection with the Scheme will be borne by SNP Corp, irrespective of whether or not the Scheme becomes effective.

Dated 10 August 2006

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

2006: NO. 217

**IN THE MATTER OF
SNP LEEFUNG HOLDINGS LIMITED**

AND IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

NOTICE OF COURT MEETING OF THE HOLDERS OF SCHEME SHARES

NOTICE IS HEREBY GIVEN that, by an Order dated 28 July 2006, made in the above matter, the Supreme Court of Bermuda (the “Court”) has directed a meeting to be convened of registered holders of shares of HK\$0.10 each in SNP Leefung Holdings Limited (the “Company”) other than SNP Corporation Ltd (the “Scheme Shareholders”) for the purposes of considering and, if thought fit, approving (with or without modification), a Scheme of Arrangement (the “Scheme of Arrangement”) proposed to be made between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) and that such meeting will be held at 9:00 a.m. on Wednesday, 6 September 2006 at Hennessy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong, at which place and time all the Scheme Shareholders are requested to attend.

A copy of a printed composite document of which this notice forms part containing the Scheme of Arrangement and the Explanatory Statement required to be furnished pursuant to Section 100 of the above-mentioned Act together with a Form of Proxy have been posted to every Shareholder of the Company including the Scheme Shareholders having a registered address in the register of members of the Company. Additional copies of the said documents can be obtained by any person entitled to attend the said meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday in Bermuda or a Saturday afternoon in Hong Kong, a Sunday or a statutory holiday in Bermuda or Hong Kong as the case may be):

- (i) at the registered office of the Company in Bermuda situate at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda;
- (ii) at the office of the branch share registrar of the Company in Hong Kong, namely Tengis Limited situate at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong; and
- (iii) at the Hong Kong office of the Company’s Bermuda attorneys, namely Appleby Spurling Hunter, situate at 5511, The Center, 99 Queen’s Road Central, Hong Kong;

and can also be seen on display at the principal place of business of the Company in Hong Kong at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.

PART IX – NOTICE OF COURT MEETING

The Scheme Shareholders may vote in person at the said meeting or they may appoint another person, whether a shareholder of the Company or not, as their proxy to attend and vote in their stead.

In the case of joint holders of the Scheme Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose, seniority will be determined by the order in which the names of the holders stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies be lodged at the office of the branch share registrar of the Company in Hong Kong as stated above not less than 48 hours before the time appointed for the said meeting but if the forms of proxy are not so lodged, they may be handed to the Chairman of the meeting at the said meeting.

By the said Order, the Court has appointed Mr. Yeo Chee Tong, a director of the Company, or failing him, Mr. Peter, Yang Sze Chen, also a director of the Company, or failing both of them, any other director of the Company, to act as Chairman of the said meeting and has directed the Chairman to report the results thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated 10 August 2006

Appleby Spurling Hunter

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

Attorneys for the Company



SNP LEEFUNG HOLDINGS LIMITED

利豐雅高印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of SNP Leefung Holdings Limited (the “Company”) will be held at 10:00 a.m. on 6 September 2006 at Hennessy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong (or so soon thereafter as the meeting of the Scheme Shareholders (as defined in the scheme of arrangement hereinafter mentioned)) convened by direction of the Supreme Court of Bermuda for the same day and place, shall have been concluded (or concluded after any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“THAT

- (a) the scheme of arrangement (the “Scheme”) between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this Meeting and for the purposes of identification initialled by the Chairman of this Meeting, subject to any modification or addition or condition as may be approved or imposed by the Supreme Court of Bermuda, be approved;
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the issued share capital of the Company of HK\$50,340,864.70 divided into 503,408,647 shares of HK\$0.10 each (“Shares”) be reduced to HK\$38,038,198.50 divided into 380,381,985 Shares by cancelling and extinguishing 123,026,662 Scheme Shares (as defined in the Scheme); and
 - (ii) the Company shall apply the credit arising in its books of account as a result of the reduction referred to in sub paragraph (i) above to a reserve account in the books of account of the Company; and

PART X – NOTICE OF SPECIAL GENERAL MEETING

- (c) the directors of the Company be authorised to do all other acts and things necessary or desirable in connection with the implementation of the Scheme, including the giving of consent to any modification of, or addition to, the Scheme, which the Supreme Court of Bermuda may see fit to impose.”

By Order of the Board
SNP Leefung Holdings Limited
Yeo Chee Tong
Director

Dated 10 August 2006

Principal place of business in Hong Kong:

10th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
- (ii) A white form of proxy for use at the Meeting is enclosed herewith. To be valid, the white form of proxy for the Meeting, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be deposited with the Company marked “For the attention of the Company Secretary, Privatisation of the Company”, at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting and in default the proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person, if you so wish. In the event of your attending the Meeting in person, your form of proxy will be deemed to have been revoked.
- (iii) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by a duly authorized corporate representative or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
- (iv) The register of members will be closed from 30 August 2006 to 6 September 2006 (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, namely Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than Tuesday on 29 August 2006.

The following is a sample of the Letter to Optionholders being sent to Optionholders in connection with the Option Proposal.

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

The making of the Option Proposal (as defined in the Scheme Document) to persons located or with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. If you are a citizen or resident or national of or located in a jurisdiction outside Hong Kong, you should observe any applicable legal and regulatory requirements. It is your responsibility if you wish to accept the Option Proposal to satisfy yourself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal requirements and the payment of any taxes due in respect of such jurisdiction.

Unless the context otherwise requires, terms used in this letter shall bear the same meanings as defined in the scheme document dated 10 August 2006 (the “Scheme Document”) issued by the Company and SNP Corp accompanying this letter.

This letter should be read in conjunction with the accompanying Scheme Document and form of acceptance and cancellation (the “Optionholder Form of Acceptance”).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this letter, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this letter.

SNP Corporation Ltd

10 August 2006

Dear Optionholder,

**Proposed privatisation of SNP Leefung Holdings Limited by
SNP Corporation Ltd by way of a scheme of arrangement
under Section 99 of the Companies Act 1981 of Bermuda (as amended)
at the Share Offer Price of HK\$1.68 per Scheme Share
and the Option Proposal**

On 28 June 2006 the Company and SNP Corp jointly announced the proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act, and that SNP Corp will make an Option Proposal to the Optionholders of Outstanding Options subject to and conditional upon the Scheme becoming effective.

This letter explains the actions available to you for you to take in relation to your Outstanding Options. You are advised to refer to the Scheme Document when considering them.

COURSES OF ACTION AVAILABLE TO OPTIONHOLDERS

- (1) You may exercise on or before the Option Record Date all or any of your Options which have become exercisable in accordance with the Share Option Scheme. Any Shares allotted and issued as a result of the exercise of your Options on or prior to the Option Record Date will be subject to and eligible to participate in the Scheme.

This means that once you have exercised your Options on or prior to the Option Record Date, you will be entitled to receive, in relation to the Options exercised, in accordance with the terms of the Share Proposal:

for each Scheme Share HK\$1.68 in cash

If you elect to exercise your Options you must send a cheque to the Company for payment of the exercise monies. If you elect to send a cheque, the cheque (for the total of your outstanding Options multiplied by the exercise price of the Options) should be made payable to 'SNP Leefung Holdings Limited'.

Please refer to the Scheme Document for details of the Share Proposal to privatise the Company and the Scheme.

- (2) To the extent any of your Options is not exercised on or prior to the Option Record Date, you may accept the Option Proposal in accordance with its terms, as set out below and in the Scheme Document, by allowing such unexercised Options to lapse on the Option Record Date and electing on the enclosed Optionholder Form of Acceptance, by not later than 4:00 p.m. on Friday, 22 September 2006 (or such later time as may be notified to you by SNP Corp), to receive the Option Offer Price.
- (3) Do nothing, in which case, if the Scheme becomes effective, your Options will lapse and determine on the day immediately following the Option Record Date and be worthless.

Each Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Scheme Document and the Share Option Scheme.

CIMB-GK Securities (HK) Limited, SNP Corp's financial adviser, is satisfied that sufficient financial resources are available to SNP Corp for the implementation of the Share Proposal and the Option Proposal.

IF THE SCHEME DOES NOT BECOME EFFECTIVE

If the Scheme does not become effective, the Share Proposal and the Option Proposal will lapse and:

- (1) to the extent you have any Options not exercised, these will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the Share Option Scheme; and
- (2) any Shares allotted and issued to you on exercise of your Options will not be cancelled.

TERMS OF THE OPTION PROPOSAL

SNP Corp is making an offer, which is conditional upon the Scheme becoming effective and binding, to you pursuant to the Share Option Scheme. Each Optionholder who accepts the Option Proposal by lodging the Optionholder Form of Acceptance by the prescribed deadline will be entitled to the Option Offer Price as follows:

For each Outstanding Option with exercise price of:

HK\$1.029 **HK\$0.651 in cash**

HK\$1.140 **HK\$0.54 in cash**

HK\$1.421 **HK\$0.259 in cash**

HK\$1.597 **HK\$0.083 in cash**

The Option Offer Price represents the “see-through” price of the Options, being the amount by which the value of the Share Offer Price exceeds the exercise price of the Options.

The Option Proposal is conditional upon the Scheme becoming effective and binding. The Conditions of the Scheme are set out in Part IV of the Scheme Document.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the Optionholders set out in Part II of the Scheme Document and the letter from Somerley Limited to the Independent Board Committee set out in Part III of the Scheme Document which contain the recommendations of the Independent Board Committee and of Somerley Limited, respectively, in relation to the Scheme and the Option Proposal.

GENERAL TERMS AND CONDITIONS

- (i) The delivery of the Optionholder Form of Acceptance, duly signed, may if SNP Corp determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the Optionholder Form of Acceptance and this letter, including the date specified for receipt.
- (ii) By completing the “Accept the Option Proposal” section on the Optionholder Form of Acceptance in respect of a particular Option you irrevocably elect to authorise SNP Corp to send to you, or procure the sending to you of, the cash to which you are entitled at your own risk.

OUTSTANDING OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the Options held by you as at the Latest Practicable Date is set out in the Appendix to this letter. If there is any exercise by you of any Options after the Latest Practicable Date you may accept the Option Proposal only in respect of such outstanding Options which remain unexercised as at the Option Record Date.

LAPSED OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of an Option which lapses, or has already lapsed, under the Share Option Scheme. You cannot exercise or accept the Option Proposal in respect of an Option which has lapsed.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

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

DECLARATION

By returning the Optionholder Form of Acceptance you thereby:

- (i) confirm that each Option in respect of which you make an election is valid and subsisting free from all liens, mortgages and third party interests of any nature whatsoever and you acknowledge that any Option certificate (if any) in respect of such Option shall become void once that Option has been exercised or cancelled pursuant to your decisions shown on the Optionholder Form of Acceptance;
- (ii) confirm that the decisions which you have made on the Optionholder Form of Acceptance cannot be withdrawn or altered;
- (iii) authorise the Company, SNP Corp, jointly and severally, and any director or officer of the Company or SNP Corp or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to or in consequence of the elections and acceptances you have made on the Optionholder Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such elections and acceptances;
- (iv) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney appointed by or pursuant to the Optionholder Form of Acceptance; and
- (v) confirm you have read, understood and agreed to the Option Proposal, the terms and conditions set out in this letter and the Optionholder Form of Acceptance, and that you have received the Scheme Document and this letter.

GENERAL

- (i) All communications, notices, Optionholder Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Optionholders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of CIMB-GK Securities (HK) Limited, SNP Corp or the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (ii) The provisions set out in the Optionholder Form of Acceptance form part of the terms of the Option Proposal.
- (iii) The Option Proposal and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (iv) Due execution of the Optionholder Form of Acceptance in respect of the Option Proposal will constitute an authority to CIMB-GK Securities (HK) Limited, SNP Corp, any director of SNP Corp or their respective agents to complete and execute on behalf of the accepting Optionholder any document and to do any other act that may be necessary or expedient for the purpose of vesting in SNP Corp, or such persons as SNP Corp shall direct, all rights of the Optionholders in respect of the Options which are the subject of such acceptance.

ACTION TO BE TAKEN

You should return the duly completed Optionholder Form of Acceptance to the Company Secretary of the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong to be received by no later than 4:00 p.m. on 22 September 2006. If you do not complete a Optionholder Form of Acceptance or exercise your Options prior to the Option Record Date, subject to and conditional upon the Scheme becoming effective, your Options will lapse and be worthless.

Before forwarding the Optionholder Form of Acceptance to the Company Secretary of the Company, please ensure that you have signed the Form of Acceptance and that your signature has been witnessed.

As stated above, the Option Proposal is conditional upon the Scheme becoming effective and binding. Unless the Scheme becomes effective and binding, and therefore the Option Proposal becomes unconditional, on or before 31 December 2006, the Option Proposal will lapse.

Assuming the Option Proposal becomes unconditional on 25 September 2006 (Bermuda time) cheques for the Option Offer Price are expected to be despatched on or before 4 October 2006.

No acknowledgment of receipt of any Optionholder Form of Acceptance will be given.

Yours faithfully,
for and on behalf of
SNP Corporation Ltd

Appendix

Details of Optionholders' Outstanding Options shall be inserted in each individual Letter to Optionholders.