Interim Report 2003

二零零三年中期業績報告

SNP Leefung Holdings Limited

Formerly known as **Leefung-Asco Printers Holdings Limited**

利豐雅高印刷集團有限公司

CONTENTS

INTERIM RESULTS

The Board of Directors of SNP Leefung Holdings Limited (Formerly known as Leefung-Asco Printers Holdings Limited) (the "Company") are pleased to announce the unaudited interim results for the six months ended 30 June 2003 of the Company and its subsidiaries (the "Group") together with the comparative figures for the same period as follows:

Consolidated Profit and Loss Account

		Six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover			
Continuing operations		**336,403**	451,635
Discontinuing operations	*4*	**–**	34,666
		336,403	486,301
Cost of sales		**(261,783)**	(376,533)
Gross profit		**74,620**	109,768
Other revenue		**3,047**	9,178
Distribution costs		**(15,791)**	(17,130)
Administrative expenses		**(42,916)**	(62,823)
Impairment loss of fixed assets	*5*	**(13,370)**	–
Profit from operations	*6*	**5,590**	38,993
Finance costs	*7*	**(1,986)**	(7,006)
Share of results of associates		**1,940**	1,174
Amortisation of goodwill in respect of acquisition of an associate		**(202)**	(201)
Profit before taxation			
Continuing operations		**5,342**	30,526
Discontinuing operations	*4*	**–**	2,434
		5,342	32,960
Taxation			
Continuing operations		**(4,029)**	(8,868)
Discontinuing operations	*4*	**–**	(400)
	8	**(4,029)**	(9,268)
Profit before minority interests		**1,313**	23,692
Minority interests		**(141)**	(3,366)
Profit attributable to shareholders		**1,172**	20,326
Interim dividend		**8,055**	8,055
Basic earnings per share	*9*	**HK 0.29 cents**	HK 5.05 cents
Interim dividend per share		**HK 2 cents**	HK 2 cents

Consolidated Balance Sheet

	Notes	30 June 2003 (Unaudited) HK$'000	31 December 2002 (Audited and restated) – see Note 2 HK$'000
Non-current assets			
Fixed assets		561,688	559,564
Interests in associates		80,423	80,180
		642,111	639,744
Current assets			
Inventories		120,713	96,734
Trade receivables	10	217,982	206,395
Prepayments, deposits and other receivables		46,779	94,839
Cash and bank balances		95,094	95,371
		480,568	493,339
Current liabilities			
Trade and bills payables	11	113,281	113,496
Tax payable		5,853	3,943
Other payables and accruals		73,326	42,974
Amounts due to associates		3,143	35,476
Dividend payable		12,082	–
Short-term bank borrowings	12	76,947	57,102
		284,632	252,991
Net current assets		195,936	240,348
Total assets less current liabilities		838,047	880,092
Non-current liabilities			
Bank borrowings repayable beyond one year	12	115,000	145,000
Deferred taxation		12,485	12,254
		127,485	157,254
Minority interests		2,410	3,545
		708,152	719,293
CAPITAL AND RESERVES			
Share capital	13	40,273	40,273
Reserves	14	659,824	666,938
Proposed dividend		8,055	12,082
		708,152	719,293

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**39,499**	(3,080)
Net cash outflow from investing activities	**(26,406)**	(26,111)
Net cash inflow/(outflow) from financing activities	**(12,606)**	7,515
Increase/(decrease) in cash and cash equivalents	**487**	(21,676)
Cash and cash equivalents at the beginning of the period	**94,607**	78,727
Cash and cash equivalents at the end of the period	**95,094**	57,051
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**95,094**	61,803
Bank overdrafts	**–**	(4,752)
	95,094	57,051

Condensed Consolidated Statement of Changes in Equity

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Restated)
	HK$'000	*HK$'000*
Total shareholders equity at 1 January, as previously stated	**721,750**	678,229
Recognition of deferred tax liability in respect of reserves previously recognised	**(2,457)**	(2,457)
Total shareholders equity at 1 January, as restated	**719,293**	675,772
Net profit for the period	**1,172**	20,326
Recognition of deferred tax liability in respect of property revaluation reserve	**(231)**	–
Dividend declared	**(12,082)**	–
Total shareholders equity at 30 June	**708,152**	696,098

Notes to the Condensed Consolidated Financial Statements

1. Change of the Company Name

The Board of Directors are pleased to propose that the English name of the Company is to be changed to "SNP Leefung Holdings Limited" whilst the Chinese name remains unchanged. A special resolution has been passed on the special general meeting of the Company held on 28 August 2003 for the change of name.

2. Basis of preparation and accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and basis of preparation used in preparing the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2002, except for the effect of the adoption of SSAP 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)") as described in the following paragraph.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to the deferred taxation. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The change in such policy has resulted in a decrease of HK$ 2,457,000 and HK$ 2,457,000 in the Group's property revaluation reserve as at 1 January 2002 and 1 January 2003, respectively of which representing the amount of deferred tax liabilities in respect of the property revaluation reserve previously recognised.

3. Business and geographical segments

Business segments

Segment information of the three operating divisions are as follows:

Six months ended 30 June 2003

	Continuing Operations		Discontinuing Operations			
	Printing of books and magazines *HK$'000*	Printing of packaging products *HK$'000*	Financial printing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue						
External sales	302,277	34,126	–	–	–	336,403
Inter-segment sales	–	2,730	–	–	(2,730)	–
	302,277	36,856	–	–	(2,730)	336,403
Result						
Segment result	39,432	(8,157)	–	–	–	31,275
Impairment loss of fixed assets	–	(13,370)	–	–	–	(13,370)
Unallocated corporate expenses						(12,315)
Profit from operations						5,590
Finance costs						(1,986)
Share of results of associates	596	1,344	–	–	–	1,940
Amortisation of goodwill in respect of acquisition of an associate	(202)	–	–	–	–	(202)
Profit before taxation						5,342
Taxation						(4,029)
Profit before minority interests						1,313
Minority interests						(141)
Net profit for the period						1,172

3. Business and geographical segments (Continued)

Business segments **(Continued)**

Six months ended 30 June 2002

	Continuing Operations		Discontinuing Operations			
	Printing of books and magazines *HK$'000*	Printing of packaging products *HK$'000*	Financial printing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue						
External sales	325,472	126,163	34,666	–	–	486,301
Inter-segment sales	5,072	4,413	–	–	(9,485)	–
	330,544	130,576	34,666	–	(9,485)	486,301
Result						
Segment result	37,552	10,862	2,443	–	–	50,857
Unallocated corporate expenses						(11,864)
Profit from operations						38,993
Finance costs						(7,006)
Share of results of associates	1,200	–	–	(26)	–	1,174
Amortisation of goodwill in respect of acquisition of an associate	(201)	–	–	–	–	(201)
Profit before taxation						32,960
Taxation						(9,268)
Profit before minority interests						23,692
Minority interests						(3,366)
Net profit for the period						20,326

Geographical segments

	Turnover Six months ended 30 June	
	2003 (Unaudited) *HK$'000*	2002 (Unaudited) *HK$'000*
Mainland China	**168,322****	270,261
Hong Kong	**23,362**	61,181
	191,684	331,442
United States of America	**103,278**	123,226
United Kingdom	**20,933**	21,984
Other areas	**20,508**	9,649
	336,403	486,301

* The drop in turnover in Mainland China is mainly due to the exclusion of sales contributed by the disposed Shanghai subsidiary for the first half of 2003 (2002: HK$98 million).

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. Discontinuing operations

On 2 August 2002, the Company had entered into a sales and purchase agreement with SNP Corporation Ltd pursuant to which the Company procured to dispose the entire interests in Vite Limited, a wholly-owned subsidiary of the Company, for a total consideration of HK$34 million. The principal activity of Vite Limited is financial printing and the segmental information of the subsidiary has been presented in note 3 to the condensed consolidated financial statements. The transaction was duly completed on 8 August 2002. For disclosure purpose, the results of the subsidiary disposed were then classified as discontinuing operations in the profit and loss account.

5. Impairment loss of fixed assets

The Packaging Division in Dongguan has persistently incurred operating losses since 2001 and such adverse operating condition is expected to continue in the near future. The management then conducted a detail assessment of those divisional assets and concluded that the recoverable amount of certain machineries were less than their carrying values due to obsolescence. According to SSAP 31, "Impairment of assets", an impairment loss of HK$13.4 million has been recognised as an expense in the income statement.

6. Profit from operations

The profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff costs, including directors' remuneration	**44,137**	58,478
Provident fund	**524**	940
Less: Forfeited contribution	**–**	(81)
Net contribution	**524**	859
Total staff costs	**44,661**	59,337
Auditors' remuneration	**500**	590
Amortisation of goodwill	**202**	201
Loss on disposal of properties, plant and equipment	**151**	756
Operating leases charges:		
Premises	**283**	1,370
Plant and machinery	**6**	529
	289	1,899
Depreciation	**22,796**	30,513
And after crediting:		
Exchange gain	**581**	47
Rental income	**225**	251
Interest income	**584**	109

7. Finance costs

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings and other loans wholly repayable within five years	**1,833**	7,006
Interest on other loans	**153**	–
	1,986	7,006

8. Taxation

The charge comprises of:

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,000**	400
Other jurisdictions	**2,514**	8,868
Taxation attributable to the Company and its subsidiaries	**3,514**	9,268
Share of tax attributable to associates	**515**	–
	4,029	9,268

Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The profits tax rate has been increased with effect from the year of assessment 2003/2004. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$1,172,000 for the six months ended 30 June 2003 (2002: HK$20,326,000) and on the weighted average number of 402,726,918 (2002: 402,736,918) shares in issue during the period.

The Company has no dilutive potential shares in issue during the period.

10. Trade receivables

The Group allows different credit periods to its trade customers depending on the type of printing services required. Credit periods vary from 0 to 180 days in accordance with industry practice.

The aged analysis of the trade receivables is as follows:

	30 June 2003 (Unaudited) *HK$'000*	31 December 2002 (Audited) *HK$'000*
Within credit period	**192,681**	165,083
0 – 30 days past due	**14,631**	22,245
31 – 60 days past due	**6,609**	10,780
61 – 90 days past due	**1,907**	2,145
Over 90 days past due	**2,154**	6,142
	217,982	206,395

11. Trade and bills payables

The aged analysis of the trade and bills payables is as follows:

	30 June 2003 (Unaudited) *HK$'000*	31 December 2002 (Audited) *HK$'000*
0 – 30 days	**101,267**	81,062
31 – 60 days	**7,443**	20,590
61 – 90 days	**2,690**	7,312
91 – 120 days	**803**	2,416
Over 120 days	**1,078**	2,116
	113,281	113,496

12. Bank Borrowings

	30 June 2003 (Unaudited) HK$'000	31 December 2002 (Audited) HK$'000
Bank overdrafts repayable within one year		
– Unsecured	–	764
Trust receipt loans repayable within one year		
– Unsecured	1,947	28,338
Short-term bank loans repayable within one year:		
– Secured	–	–
– Unsecured	40,000	23,000
	40,000	23,000
Other bank loans repayable:		
Within one year or on demand		
– Secured	–	–
– Unsecured	35,000	5,000
In the second year		
– Secured	–	–
– Unsecured	60,000	60,000
In the third to fifth years, inclusive – unsecured	55,000	85,000
	150,000	150,000
Total interest-bearing bank borrowings and bank loans	191,947	202,102
Amount repayable within one year shown as current liabilities	(76,947)	(57,102)
Amount repayable beyond one year shown as non-current liabilities	115,000	145,000
In summary:		
Secured	–	–
Unsecured	191,947	202,102
	191,947	202,102

13. Share capital

	No. of shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each:		
At 1 January 2003 and at 30 June 2003	402,726,918	40,273

14. Reserves

	Share premium (Unaudited) HK$'000	Other property revaluation reserve (Unaudited) HK$'000	Capital redemption reserve (Unaudited) HK$'000	Translation reserve (Unaudited) HK$'000	Other reserves (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000
Balance as at 1 January 2003, as previously stated	326,493	14,075	2,515	(4,636)	5,069	325,879	669,395
Recognition of deferred tax liability in respect of reserves recognised	–	(2,457)	–	–	–	–	(2,457)
At 1 January 2003, as restated	326,493	11,618	2,515	(4,636)	5,069	325,879	666,938
Recognition of deferred tax liability in respect of reserves recognised	–	(231)	–	–	–	–	(231)
Net profit for the period ended 30 June 2003	–	–	–	–	–	1,172	1,172
Proposed dividend	–	–	–	–	–	(8,055)	(8,055)
Balance as at 30 June 2003	**326,493**	**11,387**	**2,515**	**(4,636)**	**5,069**	**318,996**	**659,824**

15. Operating lease commitments

At 30 June 2003, the amounts of future lease payments under non-cancellable operating leases are repayable as follows:

	Land and buildings		**Plant and machinery**	
	30 June 2003 (Unaudited) *HK$'000*	31 December 2002 (Audited) *HK$'000*	**30 June 2003 (Unaudited) *HK$'000***	31 December 2002 (Audited) *HK$'000*
In respect of operating leases expiring				
– Within one year	**231**	–	**17**	–

16. Capital commitments

	30 June 2003 (Unaudited) *HK$'000*	31 December 2002 (Audited) *HK$'000*
Capital expenditure in respect of property, plant and equipment		
– contracted for but not provided in the financial statements	**9,584**	6,368
– authorised but not yet contracted	**456**	32,063
	10,040	38,431

17. Contingent liabilities

The Group did not have material contingent liabilities as at the period end dates.

18. Related party transactions

(a) During the period, the Group purchased fibre based products amounting to HK$7,580,000 (six months ended 30 June 2002: HK$1,906,000) from the group companies of Jefferson Smurfit Group plc, a substantial shareholder of the Company. The transactions with the Smurfit Group were carried out in the ordinary and usual course of business and on normal commercial terms.

(b) During the period, the Group paid subcontracting fees amounting to approximately HK$18,374,000 (six months ended 30 June 2002: HK$ 17,116,000) to Beijing Leefung-Asco Changcheng Printers Limited, an indirect 47%-owned associate. The subcontracting fees were determined at the rates fairly negotiated between both parties.

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

DIVIDEND

The Board has resolved to declare an interim dividend of HK 2 cents per share (six months ended 30 June 2002: 2 cents) payable on Tuesday, 30 September 2003, to shareholders whose names appear on the register of members of the Company on Friday, 26 September 2003.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 24 September 2003 to Friday, 26 September 2003, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 23 September 2003.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

In a challenging business environment for the first half year of 2003, the Company reported a profit of HK$1.1 million after a provision of HK$13.4 million impairment loss on certain machineries for the Packaging Division. The profit attributable to shareholders before impairment loss amounted to HK$14.5 million, representing a decrease of 28% over that of last period.

The primary reason for the decrease in operating profit was largely due to the significant losses incurred by the packaging operation in Dongguan plant. This packaging operation has been suffering losses over the last 2 years, and it continued to incur a direct loss of HK$8 million in the first half year of 2003, comparable to a direct loss of HK$3 million in the corresponding period in 2002. The outbreak of the Iraq War and Severe Acute Respiratory Syndrome ("SARS") made the business development of the new corrugated production line, which was fully installed and went live in September 2002, extremely difficult. At the same time, the ongoing business for Colour Box Department faced severe competition because of excess production capacity around the region. In view of such adverse operating condition, the recoverable amounts of certain machineries were less than their carrying values. According to SSAP 31, "Impairment of assets", a provision for impairment loss of HK$13.4 million against certain obsolete machineries had been made accordingly. Such provision had no cashflow impact on the Company.

At the end of June 2003, Group's sales amounted to HK$336 million, down from HK$486 million last year. After taking into account the divestment of the businesses in last year which helped to contribute HK$133 million sales last period, it represented a decrease in turnover of 3%. The sales to the export market decreased by HK$19 million, representing a drop of 12% over last corresponding period. This was mainly due to the outbreak of Iraq War and SARS in the first half of 2003 which prevented our customers from conducting proof checks in our China-based plants and hence were more cautious in placing their orders. On the other hand, our PRC business was maintaining a stable turnover as compared to that of last corresponding period despite the outbreak of SARS in major cities inside China.

Despite the very challenging and unforeseen environment resulting from Iraq war and SARS, profitability in our core printing operation for books and magazines remained strong due to the continued improvement in operational efficiencies. The overall contribution from this segment increased by HK$1.9 million as compared to last year despite the drop in turnover. This proved our cost control measures implemented last year continued to be effective. For the packaging operation in Dongguan, sales had just increased by HK$5.7 million. However, the significant increase in fixed overheads for the new corrugated production line caused a negative gross margin for the operation as a result of insufficient turnover. These two effects merely offset each other and rendered the gross profit margin for the Group being comparable for both periods which is approximately 22% on turnover.

The finance costs for the Group has significantly dropped by HK$5 million in current period as a result of the exclusion of the finance charges of the Shanghai subsidiary in the first half of 2003 (2002: HK$2.6 million). The restructuring of the long term loans in the second half of 2002, the further fall in interest rates and effective treasury management enabled the Group to benefit from the resulting lower finance costs.

Despite the overall decrease in profitability, the Company's operating cashflow position continued to improve. As reflected by the six months cashflow statement, the operating cashflow has improved from an outflow of HK$3 million to an inflow of HK$39 million for the same periods under review. An interim dividend of HK 2 cents is proposed which is the same as that of last year.

Financial Review

The Group's net assets was generally financed by internal resources through share capital and reserves. As at 30 June 2003, the Group's cash and bank balances amounted to HK$95 million while the total assets and the net assets were approximately HK$1,123 million and HK$708 million respectively and were comparable to the balances as at 31 December 2002. The current ratio as at 30 June 2003 has decreased from 1.95 to 1.69 due to the inclusion of declared dividend as current liabilities and the increase in the short term portion of bank borrowings. As at 30 June 2003, the total borrowings from banks include term loans and trust receipts loans amounted to approximately HK$192 million, of which 40.09%, 31.25% and 28.66% were repayable within one year, the second year and the third to five years respectively. Of the total borrowings, approximately HK$2 million was denominated in US dollars and HK$190 million was denominated in Hong Kong dollars.

As at 30 June 2003, the Group's net gearing ratio based on total debts to equity was 13.7%, decreased from 15% as at 31 December 2002. The Group currently has aggregate banking facilities of approximately HK$696 million, of which HK$247 million has been utilised as at 30 June 2003. The Group's borrowings are denominated in either Hong Kong dollars or US dollars and principally on a floating rate basis. When appropriate, hedging instruments including swaps are used in managing the interest rate exposure.

Employees policy

At the end of June 2003, the Group employed a total of approximately 80 employees in Hong Kong and a workforce of approximately 2,800 in the PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Pledge of assets

As at 30 June 2003, the Group did not pledge any of its investment properties (2002: HK$4 million), land and buildings (2002: HK$185 million) respectively as securities for generating banking facilities granted to the Group.

Change of shareholdings

On 17 June 2003, the Company and SNP Corporation Ltd ("SNP") jointly announced that SNP had entered into a Share Purchase Agreement with S.I. Holdings Limited whose entire capital is indirectly owned by Smurfit International B.V. ("Smurfit"), Randburg Limited ("Randburg") and United Rise Investments Limited ("United Rise") to acquire altogether 227,220,495 shares of the Company, representing approximately 56.42% of the existing issued share capital for a total consideration of approximately HK$323 million. The Share Purchase Agreement was duly completed on 4 July 2003. Immediately following the completion, SNP had been obliged under Rule 26 of the Takeovers Code to make a mandatory unconditional cash offer to acquire all the issued shares other than those already owned by SNP and parties acting in concert with it at HK$1.42 per share. The offer period ended on 29 July 2003 with valid acceptances of 82,654,061 shares. Together with the 227,220,495 shares, SNP's total equity interests was 309,874,556 shares, representing approximately 76.94% of the existing issued share capital of the Company. Immediately following the closing of the offer period, SNP procured a placing agent for the placement of shares to independent third parties to ensure that the Company can maintain at least 25% minimum public float as required by the Listing Rules. On 19 August 2003, 39,000,000 shares were being placed and SNP's interests in shares in the Company has decreased to 270,874,556 shares, representing approximately 67.26% of the existing issued shares capital of the Company.

PROSPECTS

With the end of the Iraq War and the problems stemming from SARS in Asia, we witnessed an increase in demand from overseas customers for order fulfilment in the third quarter this year. At the same time, there is a gradual recovery in consumer confidence in the China market and the order level for the PRC business has started to pick up again from July onwards. Concerning the packaging operation in Dongguan, the management team is in the process of formulating a new business strategy with the aim to turn around the operation. The new management team is negotiating with US-based packaging design companies to form strategic alliances for providing packaging solution to US consumer customers in the Southern part of China.

As explained in the Section headed "Change of shareholdings", the Company is now a 67.26% subsidiary company of SNP. SNP is a leading printing and publishing Company based in Singapore with printing operations in Singapore, Malaysia, Thailand, Hong Kong and Australia, etc. The objective of SNP is to build the Company to be a leading regional printing and packaging group with Hong Kong as its headquarter. Together with SNP, there will be operational synergies between the two companies including but not limited to improved purchasing power, cross selling opportunities and centralization of marketing services. Integration work has begun and we are confident that the synergy effects will be evident in the near future. Going forward, in addition to organic growth, the Company will also look into merger and acquisition opportunities in the commercial printing area to support further expansion. We believe that with our solid foundation and committed focus under the leadership of the new management team, the Company is well-equipped to enhance its competitiveness and to meet the new challenges within the marketplace.

Furthermore, in order to improve corporate governance, the Company will start to have quarterly financial reporting. This will provide more timely and transparent information to the investing community. Overall, the Company has a very positive outlook for the second half of the year.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to, inter alia, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, including interests and short positions which they are deemed or taken to have under the provisions of the Securities and Futures Ordinance were as follows:

	Number of Shares			
Directors	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other interests**
Maria Yang	11,469,432	–	–	126,428,495 *(a)*
Yang Sze Chen, Peter	900,000	–	16,514,867 *(b)*	–
Kyle Arnold Shaw Jr.	300,000	–	–	–
Anthony John Nevill Russell	300,000	–	–	–

(a) The other interests of Mrs. Maria Yang in 126,428,495 shares are held through companies controlled by Margentin Limited which is 100% owned by the Yang Family Trust, of which Mrs. Maria Yang is a discretionary object. Of the 126,428,495 shares, 52,111,595 shares are held by Randburg Limited and 75,316,900 shares are held by United Rise Investments Limited. Randburg Limited and United Rise Investments Limited are controlled by Margentin Limited.

(b) These shares were held through Team Long Development Limited, a company beneficially owned by Mr. Yang Sze Chen, Peter.

Saved as disclosed above and other than certain non-beneficial ordinary shares in subsidiaries held in trust for the Group, none of the directors, chief executives and their associates has any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations as at 30 June 2003 required to be disclosed pursuant to Section 352 of the Securities and Futures Ordinance, or which are required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, to be notified to the Company or the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the register of substantial shareholders required to be maintained under the Securities and Futures Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has been notified of the following shareholders with interests representing 5% or more of the Company's issued share capital:

	Number of Ordinary shares		%
Smurfit International B.V.	100,792,000	*(a) & (b)*	25.03
S. I. Holdings Limited	100,792,000	*(a)*	25.03
United Rise Investments Limited	74,316,900	*(c)*	18.45
Randburg Limited	52,111,595	*(c)*	12.94
Arisaig Greater China Fund	22,546,000	*(d)*	5.6
Arisaig Partners Holdings Ltd.	22,546,000	*(d)*	5.6
Madeleine Ltd.	22,546,000	*(d)*	5.6
Perivoli Holdings Ltd.	22,546,000	*(d)*	5.6
Sannox Holdings Ltd.	22,546,000	*(d)*	5.6
Lindsay Cooper	22,546,000	*(d)*	5.6
Perivoli Trust	22,546,000	*(d)*	5.6
Sannox Trust	22,546,000	*(d)*	5.6

(a) These shares are held indirectly by Smurfit, through its interest in the entired issued share capital of S.I. Holdings Limited.

(b) Smurfit has been granted a right to purchase such number of shares of the Company as to enable Smurfit to beneficially hold directly or indirectly in aggregate up to 51% of the total issued ordinary share capital of the Company.

(c) These shareholdings are duplicated in the section headed "Directors' interests in shares" disclosed above.

(d) (i) Arisaig Partners (Mauritius) Ltd. is the fund manager of Arisaig Greater China Fund.

(ii) Arisaig Partners (Holdings) Ltd., through its wholly owned subsidiary, Arisaig Partners (BVI) Ltd. holds of Arisaig Partners (Mauritius) Ltd.

(iii) Madeleine Ltd. holds 33.33% of the issued share capital of Arisaig Partners (Holdings) Ltd.

(iv) Perivoli Holdings Ltd. holds 33.33% of the issued share capital of Arisaig Partners (Holdings) Ltd.

(v) Sannox Holdings Ltd. holds 33.33% of the issued share capital of Arisaig Partners (Holdings) Ltd.

(vi) Lindsay Cooper beneficially holds the entire issued share capital of Madeleine Ltd.

(vii) Perivoli Trust is a trust the settlor of which is James Alexandroff, the beneficiaries of which are his children. The trust holds 100% of the entire issued share capital of Perivoli Holdings Ltd.

(viii) Sannox Trust is a trust the settlor of which is John Torquil McAlpline, the beneficiaries of which are his children. The trust holds 100% of the entire issued share capital of Sannox Holdings Ltd.

As disclosed in the paragraph under "Change of shareholdings", SNP had entered into the Share Purchase Agreement with Smurfit, Randburg and United Rise pursuant to which Smurfit, Randburg and United Rise agreed to dispose of their entire interests in the Company for a total consideration of approximately HK$323 million. The transaction was duly completed on 4 July 2003.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited financial statements for the six months ended 30 June 2003.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at each annual general meeting of the Company in accordance with the bye-laws of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution during the period. In addition, we would like to thank all our shareholders for their support of the Group and our customers for their business.

By Order of the Board
Yeo Chee Tong
Appointed Chief Executive Officer
on 8 July 2003

Hong Kong
28 August 2003