

Notes to the Financial Statements

For the year ended 31 December 2003

1. GENERAL

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

SSAP 12 (Revised) Income Taxes

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

Goodwill

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

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

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

Investments in subsidiaries

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

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

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

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

Investment properties

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

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

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

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

Property, plant and equipment

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

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Leasehold land	Over the lease terms, including the renewable period
Buildings	Shorter of the lease terms, including the renewable period, and 40 years.
Plant and machinery	6 $\frac{2}{3}$ % – 10%
Equipment, furniture and fixtures	20%
Motor vehicles	20%

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

Impairment

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

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Taxation

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

Leases

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

Foreign currencies

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

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

Retirement benefit costs

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

Notes to the Financial Statements

For the year ended 31 December 2003

4. TURNOVER

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

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

	2003 HK\$'000	2002 HK\$'000
Continuing operations:		
Printing of books and magazines	668,133	696,113
Printing of packaging products	66,453	284,243
	734,586	980,356
Discontinuing operation:		
Financial printing	–	41,463
	734,586	1,021,819

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

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

Intersegment sales are charged at prevailing market prices.

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

Segment information about these businesses is presented below:

For the year ended 31 December 2003

	Continuing operations		Eliminations HK\$'000	Consolidated HK\$'000
	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000		
Segment revenue				
External sales	668,133	66,453	–	734,586
Inter-segment sales	–	6,128	(6,128)	–
Total	668,133	72,581	(6,128)	734,586
Result				
Segment result	89,433	(15,965)	–	73,468
Surplus on revaluation of investment properties				960
Loss on disposal of investment properties				(951)
Impairment loss recognised in respect of plant and machinery	–	(13,370)	–	(13,370)
Unallocated corporate expenses				(27,094)
Profit from operations				33,013
Finance costs				(3,459)
Share of results of associates	2,160	2,689	–	4,849
Amortisation of goodwill arising from the acquisition of an associate	(403)	–	–	(403)
Profit before tax				34,000
Income tax expenses				(11,220)
Profit after tax				22,780
Minority interests				(283)
Net profit attributable to shareholders				22,497

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2003			
OTHER INFORMATION			
Capital addition	42,591	10,211	52,802
Depreciation and amortisation	38,821	6,796	45,617
Loss on disposal of property, plant and equipment	202	66	268
Impairment loss recognised in respect of plant and machinery	–	13,370	13,370
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At 31 December 2003			
BALANCE SHEET			
Assets			
Segment assets	696,472	131,184	827,656
Interests in associates	56,851	24,535	81,386
Unallocated corporate assets			185,355
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Consolidated total assets			1,094,397
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Liabilities			
Segment liabilities	159,133	15,634	174,767
Unallocated corporate liabilities			195,499
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Consolidated total liabilities			370,266
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Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

For the year ended 31 December 2002

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

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

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

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

The printing of books and magazines and packaging products divisions are located in the People's Republic of China ("PRC") and Hong Kong.

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The PRC, excluding Hong Kong	359,502	567,221
Hong Kong	34,082	108,546
The United States of America	227,402	253,942
United Kingdom	60,430	71,045
Australia	44,364	13,394
Other areas	8,806	7,671
	734,586	1,021,819

Revenue from the Group's discontinuing operation was derived principally from Hong Kong (2003: Nil, 2002: HK\$41.5 million).

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PLANT AND MACHINERY

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

Notes to the Financial Statements

For the year ended 31 December 2003

7. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS

On 2 August 2002, the Company entered into a sales and purchase agreement with SNP Corporation Ltd, pursuant to which the Company procured to dispose of the entire interests in Vite Limited, a wholly-owned subsidiary of the Company, for a total consideration of HK\$34.0 million, resulting in a gain on disposal amounting to approximately HK\$25.5 million. For clarity purpose, SNP Corporation Ltd was not a shareholder of the Company at the date of disposal. The principal activity of Vite Limited is financial printing and the segmental information of the subsidiary has been presented in note 5. The transaction was duly completed on 8 August 2002.

The results of the financial printing operations for the period from 1 January 2002 to 8 August 2002, which had been included in the consolidated financial statements for the year ended 31 December 2002, were as follows:

	1.1.2002 to 8.8.2002 <i>HK\$'000</i>
Turnover	41,463
Cost of sales	(31,827)
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Gross profit	9,636
Other operating income	751
Distribution costs	(34)
Administrative expenses	(7,365)
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Profit from operations	2,988
Finance costs	(9)
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Profit before tax	2,979
Income tax expenses	(400)
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Profit after tax	2,579

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

Notes to the Financial Statements

For the year ended 31 December 2003

8. PROFIT FROM OPERATIONS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration (<i>note 9</i>):		
– Salaries, wages and other benefits	84,967	111,100
– Retirement benefit scheme contributions, net of forfeited contributions of HK\$14,000 (2002: HK\$367,000)	4,616	3,369
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Total staff costs	89,583	114,469
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Auditors' remuneration	1,108	1,302
Depreciation and amortisation	45,617	61,105
Minimum lease payments under operating leases:		
– Plant and machinery	49	1,522
– Land and buildings	1,076	2,165
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	1,125	3,687
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and after crediting:		
Gross rental income	428	512
Less: outgoings	(41)	(30)
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Net rental income	387	482
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Interest income	848	962
Exchange gain, net	1,997	1,162
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Notes to the Financial Statements

For the year ended 31 December 2003

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	232	–
Non-executive directors	427	360
	<hr/> 659	<hr/> 360
Other emoluments of executive directors:		
Salaries and other benefits	4,841	7,653
Retirement benefit scheme contributions	103	247
	<hr/> 4,944	<hr/> 7,900
Total directors' emoluments	<hr/> 5,603	<hr/> 8,260

Fees include HK\$309,000 (2002: HK\$300,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	13	13
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
	<hr/> 15	<hr/> 16

No director waived any emoluments in the year ended 31 December 2003 and 2002.

Notes to the Financial Statements

For the year ended 31 December 2003

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' Emoluments

During the year, the five highest paid individuals included three directors (2002: four directors), details of whose emoluments are set out above. The emoluments of the remaining two (2002: one) highest paid individuals were as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,990	1,119
Retirement benefits schemes contributions	43	42
Performance related incentive payments	123	145
	2,156	1,306

Their emoluments were within the following bands:

	Number of employees	
	2003	2002
HK\$1,000,001 to HK\$1,500,000	2	1

Notes to the Financial Statements

For the year ended 31 December 2003

10. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	3,459	12,766

11. INCOME TAX EXPENSES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current tax:		
Hong Kong	3,555	400
Other jurisdictions	4,970	15,573
	8,525	15,973
Deferred taxation (<i>note 25</i>)	1,419	–
Taxation attributable to the Company and its subsidiaries	9,944	15,973
Share of taxation attributable to associates	1,276	198
	11,220	16,171

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The tax rate has been increased with effect from the 2003 year of assessment.

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

Notes to the Financial Statements

For the year ended 31 December 2003

11. INCOME TAX EXPENSES (Continued)

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

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit before tax	34,000		64,935	
Tax at Hong Kong Profits Tax rate of 17.5% (2002: 16%)	5,950	17.5	10,390	16.0
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	2,364	7.0	1,142	1.7
Tax effect of different tax rates of the subsidiaries and associates operating in other jurisdictions	(308)	(0.9)	2,395	3.7
Tax effect of unrecognised tax losses	1,679	4.9	2,244	3.5
Tax effect of unrecognised allowance for inventories	616	1.8	–	–
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	919	2.7	–	–
Tax expense and effective tax rate for the year	11,220	33.0	16,171	24.9

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to equity (*see note 25*).

Notes to the Financial Statements

For the year ended 31 December 2003

12. DIVIDENDS

	2003	2002
	HK\$'000	HK\$'000
Interim dividend paid: HK2 cents (2002: HK2 cents) per share	8,055	8,055
Final dividend proposed: HK3 cents (2002: HK3 cents) per share	12,082	12,082
	20,137	20,137

The directors propose that final dividend of HK3 cents per share will be paid to shareholders on 7 April 2004. This dividend is subject to approval by shareholders at the Annual General Meeting and has been included as a dividend reserve in these financial statements.

The proposed dividend for 2003 is payable to all shareholders on the Register of Members on 18 March 2004.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders of HK\$22,497,000 (2002: HK\$40,137,000) and on the weighted average of 402,726,918 shares (2002: 402,736,288 shares) in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the current year.

Diluted earnings per share has not been presented for the year ended 31 December 2002 as the Company has no potential shares outstanding during that year.

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For the year ended 31 December 2003

14. INVESTMENT PROPERTIES

	The Group <i>HK\$'000</i>
AT VALUATION	
At 1 January 2003	20,120
Disposals	(10,660)
Surplus on revaluation	960
At 31 December 2003	10,420

	The Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The carrying amount of investment properties shown above comprises:		
Long leases in Hong Kong	10,420	9,460
Medium-term leases and land use rights in other parts of the PRC	–	10,660
	10,420	20,120

The Group's investment properties were revalued at their open market values at 31 December 2003 by Sallmanns (Far East) Limited, independent professionally qualified valuers. The surplus arising on revaluation has been credited to the income statement.

The Group's investment properties of HK\$3,270,000 (2002: HK\$13,630,000) are rented out under operating leases and the remainings are vacant.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery under installation and factory buildings under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1 January 2003	306,040	463,836	40,353	13,715	1,122	825,066
Additions	571	30,606	5,584	1,622	14,419	52,802
Reclassifications	4,150	9,176	1,191	300	(14,817)	–
Disposals	(3,305)	(1,036)	(4,427)	(1,692)	–	(10,460)
At 31 December 2003	307,456	502,582	42,701	13,945	724	867,408
Comprising:						
At cost	210,537	502,582	42,701	13,945	724	770,489
At valuation – 31.3.1994	58,620	–	–	–	–	58,620
– 31.3.1995	7,393	–	–	–	–	7,393
– 31.3.1998	30,906	–	–	–	–	30,906
	307,456	502,582	42,701	13,945	724	867,408
DEPRECIATION AND AMORTISATION						
At 1 January 2003	36,246	207,799	31,330	10,247	–	285,622
Provided for the year	6,058	34,442	3,350	1,767	–	45,617
Impairment loss (<i>note 6</i>)	–	13,370	–	–	–	13,370
Eliminated on disposals	(778)	(488)	(4,395)	(1,692)	–	(7,353)
At 31 December 2003	41,526	255,123	30,285	10,322	–	337,256
NET BOOK VALUES						
At 31 December 2003	265,930	247,459	12,416	3,623	724	530,152
At 31 December 2002	269,794	256,037	9,023	3,468	1,122	539,444

Notes to the Financial Statements

For the year ended 31 December 2003

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	The Group	
	2003	2002
	HK\$'000	HK\$'000
The carrying amount of leasehold land and buildings comprises:		
Long leases in Hong Kong	84,525	84,804
Medium-term leases in Hong Kong	8,675	8,898
Medium-term leases and land use rights in other parts of the PRC	172,730	176,092
	265,930	269,794

Certain of the Group's leasehold land and buildings were revalued at 31 March 1994 and 1995 by Sallmanns (Far East) Limited, independent professionally qualified valuers on an open market value basis. Since 1995, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment", from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. Properties carried at 1998 valuations are properties which were reclassified from investment properties on the basis of the directors' valuation as at 31 March 1998.

Had these land and buildings been carried at cost less accumulated depreciation and amortisation, their carrying values would have been approximately HK\$252 million (2002: HK\$256 million).

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	73,024	73,024
Amounts due from subsidiaries	756,172	758,207
	829,196	831,231

Amounts due from subsidiaries are unsecured. Except for an amount of approximately HK\$120,146,000 (2002: HK\$120,146,000) which bears interest at 3% (2002: 3%) per annum, the remaining balance is interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are accordingly classified as non-current.

Details of the Company's principal subsidiaries at 31 December 2003 are set out in note 33.

Notes to the Financial Statements

For the year ended 31 December 2003

17. INTERESTS IN ASSOCIATES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	80,513	78,904
Goodwill	873	1,276
	81,386	80,180

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

	The Group
	<i>HK\$'000</i>
COST	
At 1 January 2003 and 31 December 2003	2,016
AMORTISATION	
At 1 January 2003	740
Charge for the year	403
At 31 December 2003	1,143
NET CARRYING AMOUNT	
At 31 December 2003	873
At 31 December 2002	1,276

Details of the Group's associates at 31 December 2003 are set out in note 33.

Notes to the Financial Statements

For the year ended 31 December 2003

18. INVENTORIES

	The Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Raw materials	92,238	80,332
Work in progress	17,626	15,620
Finished goods	1,674	782
	111,538	96,734

Included above are raw materials of HK\$13,340,000 (2002: HK\$10,962,000) of the Group carried at net realisable value.

19. TRADE RECEIVABLES

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

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

	The Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within credit period	179,354	165,083
0 – 30 days	31,901	22,245
31 – 60 days	17,499	10,780
61 – 90 days	8,492	2,145
Over 90 days	6,985	6,142
	244,231	206,395

Notes to the Financial Statements

For the year ended 31 December 2003

20. TRADE AND BILLS PAYABLES

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

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	84,555	81,062
31 – 60 days	10,531	20,590
61 – 90 days	7,393	7,312
91 – 120 days	2,641	2,416
Over 120 days	1,010	2,116
	106,130	113,496

21. BANK BORROWINGS

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unsecured bank overdrafts	–	764	–	116
Unsecured bank loans	172,000	201,338	–	–
	172,000	202,102	–	116

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

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	47,000	57,102	–	116
In the second year	40,000	60,000	–	–
In the third to fifth years inclusive	85,000	85,000	–	–
	172,000	202,102	–	116
<i>Less:</i> Amount due for settlement within one year (shown under current liabilities)	(47,000)	(57,102)	–	(116)
Amount due for settlement after one year	125,000	145,000	–	–

Notes to the Financial Statements

For the year ended 31 December 2003

22. SHARE CAPITAL

	2003		2002	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 January and 31 December	500,000,000	50,000	500,000,000	50,000
Issued and fully paid:				
At 1 January	402,726,918	40,273	402,736,918	40,274
Repurchase of shares during the year	–	–	(10,000)	(1)
At 31 December	402,726,918	40,273	402,726,918	40,273

During the year ended 31 December 2002, the Company repurchased a total of its 10,000 shares on the Stock Exchange, all of which have been cancelled, at a total consideration of approximately HK\$7,200. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration in respect of the share repurchases was paid out of the retained profits of the Company. Further details of the repurchases are set out as follows:

Month	Number of shares	Price per share		Total HK\$'000
		Highest HK\$	Lowest HK\$	
December 2002	10,000	0.72	0.72	7

In the opinion of the directors, the repurchases were in the best interests of the Company and its shareholders.

Notes to the Financial Statements

For the year ended 31 December 2003

23. SHARE OPTIONS SCHEMES

(a) 2000 Scheme

A share option scheme (the "2000 Scheme") of the Company, which was adopted on 9 May 2000 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations was terminated on 28 August 2003.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2000 Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The maximum entitlement of each participant under the 2000 Scheme shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the 2000 Scheme. The exercise price shall be 80% of the average of the closing prices of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date the options are granted or the nominal value of the Company's shares, whichever is the higher.

No share option had been granted or exercised under the 2000 Scheme.

(b) 2003 Scheme

A new share option scheme (the "2003 Scheme") of the Company was adopted on 28 August 2003 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations.

The Board of Directors of the Company may, at their discretion, grant options to the eligible participant including any employee, officer, director or consultant of the Group. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its 2003 Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 31 December 2003, the number of shares of the Company in respect of which options had been granted and remained outstanding under the 2003 Scheme of the Company was 1,960,000, representing 0.49% of the shares of the Company in issue at that date.

Notes to the Financial Statements

For the year ended 31 December 2003

23. SHARE OPTIONS SCHEMES *(Continued)*

(b) 2003 Scheme *(Continued)*

The offer of a grant of share options may be accepted within 30 business days from the date of the offer, upon payment of a consideration by the offeree. The consideration for a grant of options of the Company is HK\$1.00. The exercise period of the share options granted is determined by the Board of Directors.

Total consideration received during the year from a director and employees for taking up the options granted during the year is HK\$17 (2002: Nil).

The exercise price of the share options is determined by the Board of Directors. The exercise price of the share options must be the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer; (ii) the average of the Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

The following table discloses details of the share options under 2003 Scheme held by a director and employees and movements in such holdings during the year:

	Date of grant	Number of share options			Exercise price per share HK\$
		Outstanding at 1.1.2003	Granted during the year	Outstanding at 31.12.2003	
A director	9 October 2003	–	450,000	450,000	1.45
Employees	9 October 2003	–	1,510,000	1,510,000	1.45
		–	1,960,000	1,960,000	

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

- (i) 25% of the options will be exercisable after the expiry of 12 months from the date of grant (the "First Exercise Date");
- (ii) 25% of the options will be exercisable after the expiry of each successive 12 months period from the First Exercise Date; and
- (iii) the options will expire on 8 October 2013.

Notes to the Financial Statements

For the year ended 31 December 2003

23. SHARE OPTIONS SCHEMES *(Continued)*

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

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

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

(i) SNP Share Option Plan

The following table discloses details of the share options under SNP Share Option Plan held by the directors and movements thereon during the period from 4 July 2003 (the date on which SNP became the immediate holding company of the Company) to 31 December 2003.

Name of director	Outstanding at 4.7.2003	Number of share options		Outstanding at 31.12.2003
		Granted during 4.7.2003 to 31.12.2003	Exercised during 4.7.2003 to 31.12.2003	
Peter, Yang Sze Chen	–	5,000	–	5,000
Yeo Chee Tong <i>(Note)</i>	410,000	80,000	(90,000)	400,000
Tay Siew Choon <i>(Note)</i>	120,000	–	–	120,000
Edmund, Cheng Wai Wing <i>(Note)</i>	55,000	–	–	55,000
Koo Tse Chia <i>(Note)</i>	340,000	50,000	(20,000)	370,000
	925,000	135,000	(110,000)	950,000

Note: Mr. Yeo Chee Tong, Mr. Tay Siew Choon, Mr. Edmund, Cheng Wai Wing and Ms. Koo Tse Chia were appointed as the directors of the Company on 8 July 2003.

(ii) SNP Performance Share Plan

SNP Performance Share Plan was established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for SNP and its subsidiaries (“SNP Group”). Awards of performance shares, which are released to recipients free of payment, are granted conditional on performance targets (the “Target”) set based on medium-term corporate objectives.

No awards of performance shares to the senior executives and the directors of the Group during the year ended 31 December 2003.

Notes to the Financial Statements

For the year ended 31 December 2003

23. SHARE OPTIONS SCHEMES *(Continued)*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

24. RESERVES

	Contributed surplus <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY						
At 1 January 2002	63,516	326,499	2,514	–	240,961	633,490
Repurchase of shares	–	(6)	1	–	(1)	(6)
Net profit for the year	–	–	–	–	1,670	1,670
Interim 2002 dividend	–	–	–	–	(8,055)	(8,055)
Proposed final 2002 dividend	–	–	–	12,082	(12,082)	–
At 31 December 2002 and						
1 January 2003	63,516	326,493	2,515	12,082	222,493	627,099
Net profit for the year	–	–	–	–	27,139	27,139
Final 2002 dividend paid	–	–	–	(12,082)	–	(12,082)
Interim 2003 dividend paid	–	–	–	–	(8,055)	(8,055)
Proposed final 2003 dividend	–	–	–	12,082	(12,082)	–
At 31 December 2003	63,516	326,493	2,515	12,082	229,495	634,101

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued under a group reorganisation in 1991. In addition to retained profits, the contributed surplus of the Company is also available for distribution to shareholders under Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Notes to the Financial Statements

For the year ended 31 December 2003

25. DEFERRED TAX LIABILITIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
At the beginning of the year		
– as previously stated	11,981	10,096
– adjustment on adoption of SSAP 12 (Revised)	–	2,184
	11,981	12,280
– as restated	11,981	12,280
Charge to income statement for the year	500	–
Effect of change in tax rate	1,124	–
Disposal of interests in subsidiaries	–	(299)
At the end of the year	13,605	11,981

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

THE GROUP	Accelerated tax depreciation HK\$'000	Allowance for bad and doubtful debts HK\$'000	Allowance for inventories HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2002						
– as previously stated	16,892	–	–	–	(6,796)	10,096
– adjustment on adoption of SSAP 12 (Revised)	16,307	(7,948)	(3,352)	2,184	(5,007)	2,184
– as restated	33,199	(7,948)	(3,352)	2,184	(11,803)	12,280
(Credit) charge to income statement for the year	(5,604)	428	(166)	–	5,342	–
Disposal of interests in subsidiaries	(1,938)	–	–	–	1,639	(299)
At 31 December 2002 and 1 January 2003	25,657	(7,520)	(3,518)	2,184	(4,822)	11,981
(Credit) charge to income statement for the year	(9,369)	4,270	656	–	4,943	500
Effect of change in tax rate						
– charge to income statement	1,402	–	–	–	(483)	919
– charge to equity	–	–	–	205	–	205
At 31 December 2003	17,690	(3,250)	(2,862)	2,389	(362)	13,605

Notes to the Financial Statements

For the year ended 31 December 2003

25. DEFERRED TAX LIABILITIES *(Continued)*

As at the balance sheet date, the Group has the following major unprovided deferred assets due to the unpredictability of the future profit streams.

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Allowance for inventories	(616)	–
Tax losses <i>(Note)</i>	(4,187)	(2,508)
	(4,803)	(2,508)

Note: Included in unrecognised tax losses are tax losses of HK\$11.1 million (2002: Nil) and HK\$5.6 million (2002: HK\$5.6 million) that will expire in 2008 and 2007, respectively. Other tax losses of HK\$1.0 million (2002: HK\$7.3 million) may be carried forward indefinitely.

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

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured. Except for an amount of approximately HK\$120,146,000 (2002: HK\$120,146,000) which bears interest at 3% (2002: 3%) per annum, the remaining balance is interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are accordingly classified as non-current.

Notes to the Financial Statements

For the year ended 31 December 2003

27. DISPOSAL OF INTERESTS IN SUBSIDIARIES

Disposal of interests in subsidiaries:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	–	108,702
Inventories	–	21,076
Trade receivables	–	49,603
Prepayments, deposits and other receivables	–	43,015
Tax recoverable	–	2,887
Bank balances and cash	–	25,648
Trade and bills payables	–	(29,078)
Other payables and accruals	–	(21,731)
Tax liabilities	–	(3,504)
Minority interests	–	(55,948)
Deferred tax liabilities	–	(299)
Bank borrowings	–	(84,906)
	–	55,465
Release of translation reserve	–	8,197
Reclassification to interests in associates	–	(24,594)
	–	39,068
Gain on disposal of discontinuing operation	–	25,506
Gain on disposal of interests in subsidiaries	–	816
	–	65,390
Satisfied by:		
Cash received	–	32,670
Other receivables (<i>Note</i>)	–	32,720
	–	65,390

Note: The Group received other receivables of HK\$26,116,000 during the year ended 31 December 2003. The remaining balance of HK\$6,604,000 is expected to be received in the year ending 31 December 2004.

Notes to the Financial Statements

For the year ended 31 December 2003

27. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(Continued)*

An analysis of net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries is as follows:

	2003	2002
	HK\$'000	HK\$'000
Cash consideration	–	32,670
Bank balances and cash disposed of	–	(25,648)
	<hr/>	
Net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries	–	7,022
	<hr/>	

The interests in subsidiaries disposed of during the year ended 31 December 2002 contributed approximately HK\$261.4 million to turnover and approximately HK\$28.4 million to the consolidated profit before tax for the year ended 31 December 2002.

28. OPERATING LEASES

(a) The Group as lessee

The Group leases certain of its warehouse and staff quarters under operating lease arrangements. Leases for properties are negotiated for an average term of two years.

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

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	837,000	–
In the second to fifth year inclusive	366,000	–
	<hr/>	
	1,203,000	–
	<hr/>	

Notes to the Financial Statements

For the year ended 31 December 2003

28. OPERATING LEASES *(Continued)*

(b) The Group as lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The investment properties are expected to generate rental yields of 4% (2002: 3%) on an ongoing basis. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	47	384
In the second to fifth year inclusive	–	47
	47	431

29. CAPITAL COMMITMENTS

	The Group	
	2003 HK\$'000	2002 HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided	5,356	6,368
– authorised but not contracted for	35	32,063
	5,391	38,431

The Company had no capital commitment at the balance sheet date (2002: Nil).

Notes to the Financial Statements

For the year ended 31 December 2003

30. CONTINGENT LIABILITIES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	–	–	754,200	1,052,740
Guarantee given to an independent third party in respect of future lease payment of a staff quarter	133	–	–	–
	133	–	754,200	1,052,740

31. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to the Financial Statements

For the year ended 31 December 2003

32. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with the following related parties, together with balance with them as at the balance sheet date, details of which are as follows:

Balances	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due to SNP Group	1,545	—	441	—
Amounts due to associates	17,861	35,476	—	—

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

TRANSACTIONS

- (a) On 4 July 2003, Smurfit International B.V. ("Smurfit") disposed of its interest in the Company to SNP. During the period from 1 January 2003 to 4 July 2003, the Group purchased fibre based products amounting to approximately HK\$7,580,000 (1.1.2002 to 31.12.2002: HK\$5,786,000) from the group companies of Smurfit. The transactions with the group companies of Smurfit were determined between the Group and the vendor in accordance with the terms of the agreement.
- (b) During the year, the Group paid subcontracting fees amounting to approximately HK\$40,220,000 (2002: HK\$37,652,000) 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.
- (c) During the year, the Group also entered the following transactions with SNP Group.

Nature of transactions	2003	2002
	HK\$'000	HK\$'000
Services fee paid	560	—
Subcontracting fee paid	13	—
Sales of goods	50	—

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

Notes to the Financial Statements

For the year ended 31 December 2003

32. RELATED PARTY TRANSACTIONS *(Continued)*

- (d) On 24 October 2002, the Group has entered into a conditional sale and purchase agreement with 上海紡印印刷包裝有限公司 (「上海紡印」) pursuant to which the Group has conditionally agreed to dispose of its 26% equity interest in Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (the “Shanghai JV”) to 上海紡印 for an aggregate consideration of approximately RMB34,000,000 (equivalent to approximately HK\$32,000,000). 上海紡印 is one of the equity owners of the Shanghai JV. The consideration for the disposal was arrived at with reference to the net tangible assets as at 30 June 2002 attributable to the 26% equity interest in the Shanghai JV to be disposed of and the Group’s original cost of investment, as denominated in US dollars, in the Shanghai JV. Immediately following the disposal, the equity interest of the Group in the Shanghai JV would decrease from 51% to 25% whereas the equity interest of 上海紡印 in the Shanghai JV would increase from 41% to 67%. The transaction was completed on 31 December 2002.
- (e) During the year ended 31 December 2002, the Group sold packaging products amounting to approximately HK\$110,839,000 to 上海金葉包裝材料有限公司 (「上海金葉」), a company in which 上海紡印 holds 37% interest. 上海紡印 is not a related party of the Group after the Group disposed of its 26% equity interest in the Shanghai JV as mentioned in note (d) above. The transactions with 上海金葉 were determined between the Group and the customer in accordance with the terms of the agreement.
- (f) During the year ended 31 December 2002, the Group has also purchased papers amounting to approximately HK\$57,312,000 from 上海金葉. The purchase prices were determined between the Group and the vendor in accordance with the terms of the agreement.

Notes to the Financial Statements

For the year ended 31 December 2003

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Class of shares held	Place of incorporation or registration/ operation	Nominal value of issued and fully paid capital	Attributable equity interest of the Group	Principal activities
Geltin Limited	Ordinary	Hong Kong	HK\$1,000	100%	Property holding
Shenzhen SNP Leefung Printers Co., Ltd. (formerly known as Shenzhen Leefung-Asco Printers Co., Ltd.)	Contributed capital	PRC	US\$1,500,000	90%	Printing of magazines
SNP Leefung Investments Limited (formerly known as Leefung-Asco Printers Investments Limited)	Ordinary	British Virgin Islands	US\$100	100%	Investment holding
SNP Leefung Limited (formerly known as Leefung-Asco Printers Limited)	Ordinary Deferred	Hong Kong	Ordinary – HK\$10,000 Deferred – HK\$7,500,000	100% 100%	Investment holding and trading of books and packaging products
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd. (formerly known as Leefung-Asco Packaging and Printing (Dongguan) Co., Ltd.)	Contributed capital	PRC	US\$13,438,000	100%	Printing of books and packaging products
SNP Leefung Printers Limited (formerly known as Leefung-Asco Printers Trading Limited)	Ordinary	Hong Kong	HK\$2	100%	Trading of books and packaging products

Notes to the Financial Statements

For the year ended 31 December 2003

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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 Printers (Shenzhen) Co., Ltd. (formerly known as Leefung-Asco Printers (Shenzhen) Co., Ltd.)	Contributed capital	PRC	US\$15,000,000	100%	Printing of books and magazines
SNP Leefung Properties Limited (formerly known as Lakesview Limited)	Ordinary	Hong Kong	HK\$2	100%	Property holding

Other than SNP Leefung Investments Limited which is held directly by the Company, all subsidiaries are held by the Company indirectly.

None of the subsidiaries had any debt security subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31 December 2003

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

Details of the Group's associates which are held by the Company indirectly at 31 December 2003 are as follows:

Name of associate	Class of shares held	Place of registration/ operation	Attributable equity interest of the Group	Principal activities
Beijing Leefung-Asco Changcheng Printers Limited <i>(Note a)</i>	Contributed capital	PRC	47%	Magazines printing
Shanghai Fang Yin Leefung-Asco Printing and Packing Co. Ltd. <i>(Note a)</i>	Contributed capital	PRC	25% <i>(Note b)</i>	Cigarette packaging printing

Notes:

- (a) The companies are registered in the term of sino-foreign joint venture enterprise.
- (b) 3.9% equity interest in this associate was pledged to secure one of the Group's other borrowings which is included in other payables and accruals.