

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and other investments. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

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

Goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

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

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

Interests in associates

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

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

Investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

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

Other investments

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

Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

Leasehold land	Over the lease terms, including the renewable period
Buildings	2.5% – 5%
Plant and machinery	6 ² / ₃ % – 33 ¹ / ₃ %
Equipment, furniture and fixtures	10% – 50%
Motor vehicles	10% – 25%

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the relevant asset is carried a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

2. 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 taxable profit nor the accounting profit.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

2. 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

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

3. TURNOVER

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

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

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

Intersegment sales are charged at prevailing market prices.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

(a) Business segments *(continued)*

Segment information about these businesses is presented below:

For the year ended 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

(a) Business segments *(continued)*

For the year ended 31 December 2004

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

At 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

(a) Business segments *(continued)*

For the year ended 31 December 2003

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Eliminations HK\$'000	Consolidated 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 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2003

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Consolidated HK\$'000
OTHER INFORMATION			
Capital addition	42,591	10,211	52,802
Depreciation and amortisation	38,821	6,796	45,617
Loss on disposal of property, plant and equipment	202	66	268
Impairment loss recognised in respect of plant and machinery	–	13,370	13,370

At 31 December 2003

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

(b) Geographical segments

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

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

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

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

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PLANT AND MACHINERY

The Packaging Division in Dongguan has been incurring operating losses since 2001. In connection to this, the management of the Company conducted a detailed assessment of its plant and machinery in 2003 and concluded that the recoverable amount of certain machineries were less than their carrying values due to obsolescence. Accordingly, an impairment loss of approximately HK\$13.4 million was recognised as an expense in the income statement in 2003.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

6. PROFIT FROM OPERATIONS

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

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

The emoluments of the directors were within the following bands:

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments

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

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

Their emoluments were within the following bands:

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

8. FINANCE COSTS

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

9. INCOME TAX EXPENSES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

9. INCOME TAX EXPENSES (continued)

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

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

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to equity (see note 26).

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10. DIVIDENDS

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

The directors propose that a final dividend of HK3 cents per share be paid to shareholders on 7 April 2005. This dividend is subject to approval by shareholders at the Annual General Meeting and has been included as a dividend reserve in these financial statements.

The proposed dividend for 2004 is payable to all shareholders on the Register of Members on 28 February 2005.

11. EARNINGS PER SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

12. INVESTMENT PROPERTIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Certain of the Group's leasehold land and buildings were revalued at 31 March 1994 and 1995 by Sallmanns (Far East) Limited, independent professionally qualified valuers on an open market value basis. Since 1995, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment", from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. Properties carried at 1998 and 2004 valuations are properties which were reclassified from investment properties on the basis of the directors' and independent professional qualified valuers' valuation as at 31 March 1998 and 30 November 2004, respectively.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

14. GOODWILL

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

The amortisation period adopted for goodwill is 10 years.

15. INTERESTS IN SUBSIDIARIES

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

Amounts due from subsidiaries are unsecured. Except for an amount of approximately HK\$120,146,000 (2003: HK\$120,146,000) which bears interest at 3% (2003: 3%) per annum, the remaining balance is interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are accordingly classified as non-current.

Details of the Company's principal subsidiaries at 31 December 2004 are set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

16. INTERESTS IN ASSOCIATES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

17. INVENTORIES

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

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

18. TRADE RECEIVABLES

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

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within credit period	302,420	179,354
1 – 30 days	49,528	31,901
31 – 60 days	40,248	17,499
61 – 90 days	10,272	8,492
Over 90 days	14,814	6,985
	417,282	244,231

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

19. OTHER INVESTMENTS

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

20. TRADE AND BILLS PAYABLES

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

21. OBLIGATIONS UNDER FINANCE LEASES

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

The lease term ranges from two to five years. For the year ended 31 December, 2004, the average effective borrowing rate was 5%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

22. BANK BORROWINGS

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

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

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

23. SHARE CAPITAL

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

24. SHARE OPTIONS SCHEMES

(a) 2003 Scheme

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

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

At 31 December 2004, the number of shares of the Company in respect of which options had remained outstanding under the 2003 Scheme of the Company was 2,900,000, representing 0.7% of the shares of the Company in issue at that date.

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

Total consideration received during the year from a director and employees for taking up the options granted during the year is HK\$19 (2003: HK\$17).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

24. SHARE OPTIONS SCHEMES (continued)

(a) 2003 Scheme (continued)

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

The following table discloses the details of the share options under 2003 Scheme held by a director and employees and movements in such holdings during the year of 2003 and 2004:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

24. SHARE OPTIONS SCHEMES (continued)

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

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

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

(i) SNP Share Option Plan

The following table discloses details of the SNP share options held by the directors of the Company and movements thereon during the year:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

24. SHARE OPTIONS SCHEMES *(continued)*

(b) SNP Share Option Plan and SNP Performance Share Plan *(continued)*

(ii) SNP Performance Share Plan

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

There are no awards of performance shares to the senior executives and the directors during the years ended 31 December 2004 and 2003.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

25. RESERVES

	Contributed surplus	Share premium account	Capital redemption reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY						
At 1 January 2003	63,516	326,493	2,515	12,082	222,493	627,099
Net profit for the year	-	-	-	-	27,139	27,139
Final 2002 dividend paid	-	-	-	(12,082)	-	(12,082)
Interim 2003 dividend paid	-	-	-	-	(8,055)	(8,055)
Proposed final 2003 dividend	-	-	-	12,082	(12,082)	-
<hr/>						
At 31 December 2003 and 1 January 2004	63,516	326,493	2,515	12,082	229,495	634,101
Net loss for the year	-	-	-	-	(1,255)	(1,255)
Final 2003 dividend paid	-	-	-	(12,082)	-	(12,082)
Interim 2004 dividend paid	-	-	-	-	(8,055)	(8,055)
Proposed final 2004 dividend	-	-	-	12,082	(12,082)	-
<hr/>						
At 31 December 2004	63,516	326,493	2,515	12,082	208,103	612,709

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 2004

26. DEFERRED TAX LIABILITIES

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

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

	Allowance					Total HK\$'000
	Accelerated tax depreciation HK\$'000	for doubtful debts HK\$'000	for inventories HK\$'000	for of properties HK\$'000	Tax losses HK\$'000	
THE GROUP						
At 1 January 2003	25,657	(7,520)	(3,518)	2,184	(4,822)	11,981
(Credit) charge to income statement for the year	(9,369)	4,270	656	–	4,943	500
Effect of change in tax rate						
– charge to income statement	1,402	–	–	–	(483)	919
– charge to equity	–	–	–	205	–	205
At 31 December 2003 and 1 January 2004	17,690	(3,250)	(2,862)	2,389	(362)	13,605
Acquired on acquisition of subsidiaries	6,233	–	–	–	–	6,233
(Credit) charge to income statement for the year	(1,388)	72	(11)	–	(1,790)	(3,117)
At 31 December 2004	22,535	(3,178)	(2,873)	2,389	(2,152)	16,721

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

26. 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	
	2004 HK\$'000	2003 HK\$'000
Allowance for inventories	-	616
Tax losses (note)	1,522	4,187
	1,522	4,803

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

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

27. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured. Except for an amount of approximately HK\$120,146,000 (2003: HK\$120,146,000) which bears interest at 3% (2003: 3%) per annum, the remaining balance is interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are accordingly classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

28. ACQUISITION OF SUBSIDIARIES

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

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

The total consideration is satisfied by cash.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

28. ACQUISITION OF SUBSIDIARIES (continued)

Net cash outflow (inflow) arising on acquisition:

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

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

29. MAJOR NON-CASH TRANSACTION

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

30. OPERATING LEASES

(a) The Group as lessee

The Group leases certain of its production factories, warehouse and staff quarters under operating lease arrangements. Leases for properties are negotiated for a term ranging from two to fifty years.

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	5,529	837
In the second to fifth year inclusive	15,060	366
Over five years	111,865	–
	132,454	1,203

(b) The Group as lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

30. OPERATING LEASES (continued)

(b) The Group as lessor (continued)

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	1,097	47
In the second to fifth year inclusive	1,297	–
	2,394	47

31. CAPITAL COMMITMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

32. CONTINGENT LIABILITIES

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

33. RETIREMENT BENEFIT SCHEMES

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

34. RELATED PARTY TRANSACTIONS

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

Balances

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amount due to SNP Group	1,971	1,545	1,697	441
Amounts due to associates	13,862	17,861	–	–

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

34. RELATED PARTY TRANSACTIONS (continued)

Transactions

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Class of shares held	Place of incorporation or registration/ operation	Nominal value of issued and fully paid capital	Attributable equity interest of the Group	Principal activities
Geltin Limited	Ordinary	Hong Kong	HK\$1,000	100%	Property holding
Shenzhen SNP Leefung Printers Co., Ltd.	Contributed capital	PRC	US\$1,500,000	90%	Printing of magazines
SNP Excel (Hong Kong) Company Limited (formerly known as SNP Excel United Company Limited)	Ordinary	Hong Kong	HK\$7,000,000	100%	Printing of books
SNP Leefung Investments Limited	Ordinary	British Virgin Islands	US\$100	100%	Investment holding
SNP Leefung Limited	Ordinary	Hong Kong	HK\$10,000	100%	Investment holding and trading of books
	Deferred (Note 1)		HK\$7,500,000	100%	and packaging products
SNP Leefung Packaging and Printing (Dongguan) Co., Ltd.	Contributed capital	PRC	US\$16,250,000	100%	Printing of books and packaging products
SNP Leefung Printers Limited	Ordinary	Hong Kong	HK\$2	100%	Trading of books and packaging products
SNP Leefung Printers (Shenzhen) Co., Ltd.	Contributed capital	PRC	US\$15,000,000	100%	Printing of books and magazines

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

35. 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 Properties Limited	Ordinary	Hong Kong	HK\$2	100%	Property holding
SNP Excel (Thailand) Co., Ltd. (formerly known as SNP SPrint (Thailand) Co., Ltd.)	Ordinary Preference (Note 2)	Thailand	Baht107,800,000 Baht112,200,000	99.96% 98.93%	Printing of books
Best-Set Typesetter Limited Guangzhou	Contributed capital	PRC	US\$578,205	100%	Typesetting
Panyu Excel Printing United Company Limited	Contributed capital	PRC	HK\$43,000,000	100%	Printing of books
SNP Best-Set Typesetter Limited	Ordinary	Hong Kong	HK\$600,000	100%	Typesetting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Notes:

1. The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the Company or to participate in any distribution in winding up.
2. The holders of preference shares are eligible to receive dividend at the fixed rate at Baht4.5 per share per annum and have preferred rights to receive dividend and the capital repayment before ordinary shareholders. However, the right to receive dividend is non-cumulative. In the shareholders' meeting, the holders of preference shares have the rights of voting of one vote per one hundred preference shares held.

Details of the Group's associates which are held by the Company indirectly at 31 December 2004 are as follows:

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

Notes:

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