



SNP LEEFUNG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(stock code: 623)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

INTERIM RESULTS

The Board of Directors of SNP Leefung Holdings Limited (the "Company") is pleased to announce the unaudited interim results for the six months ended 30 June 2004 of the Company and its subsidiaries (the "Group") together with the comparative figures for the same period as follows:

Consolidated Profit and Loss Account

	Notes	Six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover		380,829	336,403
Cost of sales		(291,936)	(261,783)
Gross profit		88,893	74,620
Other operating income		1,555	3,047
Distribution costs		(31,257)	(21,159)
Administrative expenses		(40,081)	(37,548)
Impairment loss recognised in respect of plant and machinery	3	-	(13,370)
Profit from operations	4	19,110	5,590
Finance costs	5	(831)	(1,986)
Share of results of associates		2,654	1,940
Amortisation of goodwill arising from the acquisition of an associate		(202)	(202)
Profit before tax		20,731	5,342
Income tax expenses	6	(3,582)	(4,029)
Profit after tax		17,149	1,313
Minority interests		(141)	(141)
Net profit attributable to shareholders		17,008	1,172
Interim dividend		8,055	8,055
Basic earnings per share	7	HK4.22 cents	HK0.29 cents
Interim dividend per share		HK 2 cents	HK 2 cents

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in preparing the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2003.

2. Business and geographical segments

(a) Business segments

Segment information of the two operating divisions are as follows:

Six months ended 30 June 2004

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue				
External sales	340,539	40,290	-	380,829
Inter-segment sales	-	2,966	(2,966)	-
Total	340,539	43,256	(2,966)	380,829
Result				
Segment result	39,448	(4,171)	-	35,277
Unallocated corporate expenses				(16,167)
Profit from operations				19,110
Finance costs				(831)
Share of results of associates	1,310	1,344	-	2,654
Amortisation of goodwill arising from the acquisition of an associate	(202)	-	-	(202)
Profit before tax				20,731
Income tax expenses				(3,582)
Profit after tax				17,149
Minority interests				(141)
Net profit attributable to shareholders				17,008

Six months ended 30 June 2003

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue				
External sales	302,277	34,126	-	336,403
Inter-segment sales	-	2,730	(2,730)	-
Total	302,277	36,856	(2,730)	336,403
Result				
Segment result	39,432	(8,157)	-	31,275
Impairment loss recognised in respect of plant and machinery	-	(13,370)	-	(13,370)
Unallocated corporate expenses				(12,315)
Profit from operations				5,590
Finance costs				(1,986)
Share of results of associates	596	1,344	-	1,940
Amortisation of goodwill arising from the acquisition of an associate	(202)	-	-	(202)
Profit before tax				5,342
Income tax expenses				(4,029)
Profit after tax				1,313
Minority interests				(141)
Net profit attributable to shareholders				1,172

(b) Geographical segments

	Turnover Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The PRC, excluding Hong Kong	186,596	168,322
Hong Kong	9,949	23,362
	196,545	191,684
The United States of America	110,586	103,278
United Kingdom	39,020	20,933
Australia	27,403	16,225
Other areas	7,275	4,283
	380,829	336,403

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

3. 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 detail 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 HK\$13.4 million has been recognised as an expense in the income statement in June 2003.

4. Profit from operations

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Profit from operations has been arrived at after charging :		
Staff costs, including directors' remuneration		
- Salaries, wages and other benefits	46,635	42,312
- Retirement benefit scheme contributions, net of forfeited contributions of nil (2003: HK\$14,000)	2,203	2,349
Total staff costs	48,838	44,661
Auditors' remuneration	538	500
Amortisation of goodwill	202	202
Depreciation	22,409	22,796
Exchange loss, net	664	-
Loss on disposal of properties, plant and equipment	-	151
Minimum lease payment under operating leases:		
- Land and buildings	615	283
- Plant and machinery	50	6
	665	289
And after crediting:		
Rental income	141	225
Less: outgoings	(12)	(12)
Net rental income	129	213
Interest income	456	584
Exchange gain, net	-	581
Gain on disposal of properties, plant and equipment	238	-

5. Finance costs

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	<u>831</u>	<u>1,986</u>

6. Income tax expenses

The charge comprises:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	1,068	1,000
Other jurisdictions	1,781	2,514
	<u>2,849</u>	<u>3,514</u>
Share of taxation attributable to associates	<u>733</u>	<u>515</u>
	<u>3,582</u>	<u>4,029</u>

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$17,008,000 for the six months ended 30 June 2004 (2003: HK\$1,172,000) and on the weighted average number of 402,726,918 (2003: 402,726,918) shares in issue during the period.

No dilutive 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 period.

DIVIDEND

The Board has resolved to declare an interim dividend of HK 2 cents per share for the six months ended 30 June 2004 (six months ended 30 June 2003: HK 2 cents) payable on Wednesday, 25 August 2004, to shareholders whose names appear on the register of members of the Company on Friday, 20 August 2004.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 18 August 2004 to Friday, 20 August 2004, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17 August 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the first half of 2004, the Company reported a turnover of HK\$380.8 million. This represented an increase of 13.2% over 2003's turnover of HK\$336.4 million. The profit attributable to shareholders amounted to HK\$17.0 million which is 17.0% higher than the profit attributable to shareholders before impairment loss of HK\$14.5 million in 2003.

The primary reason for the increase in turnover was largely due to the recovery of overseas market and the new marketing effort developed early this year. The increase in operating profit out-performed the increase in turnover as the performance of the Packaging Division continued to improve and was able to reduce losses during the current period.

At the end of June 2004, Group's sales amounted to HK\$380.8 million, up from HK\$336.4 million last year. The sales to export market increased by HK\$33.9 million, representing an increase of 25.1% over last corresponding period. During the first half year, the Company had successfully set-up new sales forces in Europe and US. This has started to create value for the Company in expanding overseas sales. Our PRC business was maintaining a stable turnover as compared to that of last year. This was primarily due to the fact that our capacity has almost reached saturation. With the effort of the new management team, the turnover of the Packaging Division has achieved a growth of 18.1% as compared to 2003. The overall increase in book and magazine printing has helped to improve the profitability in our core printing operation. However, such improvement was partly offset by the increase in paper prices during the period under review. The overall contribution from this segment maintained at approximately HK\$39.4 million despite the increase in turnover during the period under review. Concerning the Packaging Division, better management has helped to improve efficiency and the losses has been reduced by HK\$3.9 million. The finance costs for the Group has further dropped by HK\$1.2 million in current period. This was the result of better treasury management and the entitlement of better credit rating for being a SNP group company.

As reflected by the six months cashflow statement, the operating cash inflow remained strong at HK\$39.9 million (2003: HK\$39.5 million) for the same period under review. With the improvement in profitability, the Company's operating cashflow position continued to improve. An interim dividend of HK2 cents is proposed which is the same as that of last year.

Financial Review

The Group's net assets was generally financed by internal resources through share capital and reserves. As at 30 June 2004, the Group's cash and bank balances amounted to HK\$84.2 million while the total assets and the net assets were approximately HK\$1,106.5 million (31 December 2003: HK\$1,094.4 million) and HK\$726.6 million (31 December 2003: HK\$721.7 million) respectively. The current ratio as at 30 June 2004 was 2.17 which was comparable to 2.04 at 31 December 2003. As at 30 June 2004, the total borrowings from banks include term loans amounted to approximately HK\$155 million, of which 12.9%, 35.5% and 51.6% were repayable within the first year, the second year and the third to fifth years respectively. Of the total borrowings, all of the borrowings were denominated in Hong Kong dollars and are principally on a floating rate basis. When appropriate, hedging instruments including swaps are used in managing the interest rate exposure.

The Group's net gearing ratio based on net debts to equity has improved from 13% as at 31 December 2003 to 9.7% at 30 June 2004. In view of the Group's ability to generate cash from its operations, together with approximately HK\$423.3 million unutilized bank facilities at 30 June 2004, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

Employees policy

At the end of June 2004, the Group employed a total of approximately 80 employees in Hong Kong and a workforce of approximately 2,800 in the PRC.

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

Pledge of assets

As at 30 June 2004, the Group did not pledge any of its investment properties (2003: nil), land and buildings (2003: nil) respectively as securities for generating banking facilities granted to the Group.

Contingent liabilities

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

Proposed acquisition of SNP Excel and SNP SPrint (Thailand)

On 3 May 2004, the Company and the holding company, SNP Corporation Ltd ("SNP Corporation"), has entered into two Acquisition Agreements pursuant to which the Company conditionally agreed to acquire the entire issued share capital of SNP Excel United Company Limited ("Excel"), approximately 94.93% of the voting issued share capital of SNP SPrint (Thailand) Co., Ltd ("SPrint") and approximately 98.93% of the voting issued share capital of CTT & Associates Limited ("CTT") from SNP Corporation for a total consideration of S\$88 million (equivalent to approximately HK\$404.1 million). Both Excel and SPrint are principally engaged in the production of pop-up and touch-and-feel books. CTT's sole asset is its shareholding of common and preference shares in the issued share capital of SPrint. For the year ended 31 December 2003, Excel recorded an audited consolidated net profit of approximately HK\$34.1 million and SPrint recorded an audited net profit of approximately Baht45.3 million (equivalent to approximately HK\$8.5 million). The consideration for the Acquisition of S\$88 million (equivalent to approximately HK\$404.1 million) represents an effective price-earnings multiple of approximately 9.5 times of the combined audited net profit of Excel and SPrint for the year ended 31 December 2003 of approximately HK\$42.6 million.

Since the aggregate audited consolidated profits of the Acquired Companies (including Excel, SPrint and CTT collectively) for the year ended 31 December 2003 exceeds 100% of the audited consolidated profits of the Company for the year ended 31 December 2003, the Acquisition constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has indicated to the Company that it will treat the Company as a new listing applicant pursuant to the Listing Rules if the Acquisition proceeds. A new listing application in respect of the Acquisition has been made to the Listing Committee of the Stock Exchange.

As SNP Corporation is the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction pursuant to Rule 14A.13 of the Listing Rules and is conditional upon approval by the Independent Shareholders at a special general meeting.

The Circular containing the detailed information of the acquisition is required to be dispatched to the shareholders within 21 days after publication of the Announcement dated 3 May 2004 under Rule 14.38 of the Listing Rules. Application has been made to the Stock Exchange by the Company for the extension of the time for the dispatch of the Circular to within 7 days of the date on which the Listing Committee approves the Company's new listing application. As of the date of this announcement, the Listing Committee is still processing the new listing application of the Company.

PROSPECTS

The recovery of the export markets is expected to continue in the second half year. With our fully integrated sales force, increase in demand from overseas customers is expected in the third quarter this year. Concerning our PRC business, the Company has already contracted new printing machines to further increase our production capacity. The installation of those new printing machines will be finished in the fourth quarter and the benefit will be realized in early 2005. Due to better operational management, the Packaging Division should be able to continue its improvement in its bottom line in the second half year. As explained in the section headed "Proposed Acquisition of SNP Excel and SNP SPrint (Thailand)", the Company is in the process of expanding the scope of business into pop-up books and touch-and-feel books. The objective of the acquisition is to build the Company to be a leading regional printing and packaging group with Hong Kong as its headquarters. Following the acquisition, there will be operational synergies between the existing export business and the acquired companies. At the same time, the acquisition will enable the Company to become one of the largest pop-up book printers in the world. Overall, the management is optimistic about the future development of the Company.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at each Annual General Meeting of the Company in accordance with the Bye-laws of the Company.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (in force prior to 31 March 2004) will be subsequently published on the Stock Exchange's website in due course.

ACKNOWLEDGEMENT

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

DIRECTORS

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Yeo Chee Tong and Mr. Yang Sze Chen, Peter, one non-executive Director, being Mr. Tay Siew Choon, and four independent non-executive Directors, being Mr. Cheng Wai Wing, Edmund, Mr. John Robert Walter, Mr. Wong Kwong Shing, Frank and Mr. Kyle Arnold Shaw Jr.

By Order of the Board

Yeo Chee Tong

Executive Director and Chief Executive Officer

Hong Kong
15 July 2004