



SNP LEEFUNG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 623)

RESULTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2004

FINANCIAL HIGHLIGHTS				
	Three months ended 30 September 2004 (Unaudited) HK\$'000	Three months ended 30 September 2003 (Unaudited) HK\$'000	Nine months ended 30 September 2004 (Unaudited) HK\$'000	Nine months ended 30 September 2003 (Unaudited) HK\$'000
Turnover	276,204	230,196	657,033	566,599
Gross profit	64,156	58,753	153,049	133,373
Net operating profit before capital item	20,809	19,523	37,817	34,065
Capital item	-	-	-	(13,370)
Net profit attributable to shareholders	20,809	19,523	37,817	20,695

RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2004

The Board of Directors of SNP Leefung Holdings Limited (the "Company") are pleased to announce the unaudited third quarter results and nine months results for the year ending 31 December 2004 of the Company and its subsidiaries (the "Group") together with the comparative figures for the corresponding period of last year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three months ended 30 September 2004 (Unaudited) HK\$'000	Three months ended 30 September 2003 (Unaudited) HK\$'000	Nine months ended 30 September 2004 (Unaudited) HK\$'000	Nine months ended 30 September 2003 (Unaudited) HK\$'000
Turnover	2	276,204	230,196	657,033	566,599
Cost of sales		(212,048)	(171,443)	(503,984)	(433,226)
Gross profit		64,156	58,753	153,049	133,373
Other operating income		1,552	186	3,107	3,233
Selling and distribution costs		(19,521)	(16,034)	(50,778)	(37,193)
Administrative expenses		(19,812)	(20,271)	(59,893)	(57,819)
Amortisation of goodwill arising from the acquisition of subsidiaries		(1,154)	-	(1,154)	-
Impairment loss recognised in respect of plant and machinery	3	-	-	-	(13,370)
Profit from operations		25,221	22,634	44,331	28,224
Finance costs		(967)	(959)	(1,798)	(2,945)
Share of results of associates		1,437	1,229	4,091	3,169
Amortisation of goodwill arising from the acquisition of an associate		(102)	(102)	(304)	(304)
Profit before tax		25,589	22,802	46,320	28,144
Income tax expenses	4	(4,709)	(3,208)	(8,291)	(7,237)
Profit after tax		20,880	19,594	38,029	20,907
Minority interests		(71)	(71)	(212)	(212)
Net profit attributable to shareholders		20,809	19,523	37,817	20,695
Basic earnings per share	5	HK\$5.2 cents	HK\$4.8 cents	HK\$9.4 cents	HK\$5.1 cents

Notes:

1. Basis of preparation and accounting policies

The accounting policies and basis of preparation used in preparing the quarterly results are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2003.

2. Turnover by geographical areas

	Three months ended 30 September 2004 (Unaudited) HK\$'000	Three months ended 30 September 2003 (Unaudited) HK\$'000	Nine months ended 30 September 2004 (Unaudited) HK\$'000	Nine months ended 30 September 2003 (Unaudited) HK\$'000
The PRC, excluding Hong Kong	100,785	95,128	287,381	263,450
Hong Kong	8,699	9,989	18,648	33,351
United States of America	109,484	105,117	306,029	296,801
United Kingdom	98,755	79,279	209,341	182,557
Australia	36,278	23,141	75,298	44,074
Other areas	14,070	20,933	41,473	37,158
	17,617	1,726	24,892	6,009
	276,204	230,196	657,033	566,599

3. Impairment loss recognised in respect of plant and machinery

The Packaging Division in Dongguan has been incurring operating losses since 2001. 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 HK\$13.4 million has been recognised as an expense in the income statement in June 2003.

4. Income tax expenses

	Three months ended 30 September 2004 (Unaudited) HK\$'000	Three months ended 30 September 2003 (Unaudited) HK\$'000	Nine months ended 30 September 2004 (Unaudited) HK\$'000	Nine months ended 30 September 2003 (Unaudited) HK\$'000
The charge comprises:				
Current tax:				
Hong Kong	1,692	875	2,760	1,875
Other jurisdictions	2,670	2,010	4,451	4,524
	4,362	2,885	7,211	6,399
Share of taxation attributable to associates	347	323	1,080	838
	4,709	3,208	8,291	7,237

The charge comprises:

	Three months ended 30 September 2004 (Unaudited) HK\$'000	Three months ended 30 September 2003 (Unaudited) HK\$'000	Nine months ended 30 September 2004 (Unaudited) HK\$'000	Nine months ended 30 September 2003 (Unaudited) HK\$'000
Tax rate for Hong Kong profits 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.				

5. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$20,809,000 (2003: HK\$19,523,000) for the three months ended 30 September 2004 and HK\$37,817,000 (2003: HK\$20,695,000) for the nine months ended 30 September 2004 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.

MANAGEMENT DISCUSSION AND ANALYSIS

In a challenging business environment for the third quarter of 2004, the Company reported a profit of HK\$20.8 million. Profit for the current quarter represented an increase of 6.6% over that of last period.

On 8 September 2004, the Company had successfully acquired from the holding company, SNP Corporation Ltd ("SNP"), the entire issued share capital of SNP Excel United Company Limited ("Excel") and an equivalent of approximately 99.95% of issued voting share capital of SNP SPrint (Thailand) Co., Ltd. ("SPrint") for a total cash 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. Excel and SPrint in total contributed a net income of HK\$4.1 million for the month of September before the amortization of goodwill and interest costs.

For the three months ended 30 September 2004, the Group's sales amounted to HK\$276 million, up from HK\$230 million in the same period of last year. The increase in paper prices in the first half of 2004 imposed pressure on the gross profit margin for the third quarter, resulting in the gross profit margin down from 26% to 23%. The Group had implemented cost control measures to offset the effect of the paper price increase. Overall, the Group was able to maintain comparable gross profit margin at 23% for the nine months ended 30 September 2004.

The finance costs for the Group remained comparable at HK\$1 million, which had already included the interest expenses incurred for the term loan of HK\$400 million raised for the acquisition of Excel and SPrint.

PROSPECTS

Upon the completion of the acquisition of Excel and SPrint, the Group had become one of the leading pop-up and touch-and-feel books manufacturers in the industry. Subsequent to the completion of acquisition, in order to further strengthen the Excel brand name for the pop-up book business, SPrint has been renamed as SNP Excel (Thailand) Co., Ltd. on 17 September 2004. Apart from integration of the manufacturing operation with the Panyu-based Excel plant, the Group will also benefit from the operational synergies such as centralisation of marketing and purchasing functions. The Packaging Division, which included a start-up corrugated-box production line and hence was experiencing an initial start-up loss as its capacity utilization was being ramped up, improved marginally its performance year-to-date against last year. We are optimistic that the Packaging Division would be able to continue its improvement in its bottom line in next financial year. Together with the full year contribution of the pop-up business in 2005, the management is optimistic about the business prospect of the enlarged group in year 2005.

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 and our customers for their business.

By Order of the Board
Yeo Chee Tong
Executive Director and Chief Executive Officer

Hong Kong, 14 October 2004

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