



SNP LEEFUNG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 623)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The Board of Directors of SNP Leefung Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004.

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2004 HK\$'000	Year ended 31 December 2003 HK\$'000
Turnover	974,147	734,586
Gross profit	226,123	161,510
Net operating profit before capital items	47,604	35,858
Capital items	2,878	(13,361)
Net profit attributable to shareholders	50,482	22,497
Dividends		
Interim	HK 2 cents	HK 2 cents
Proposed final	HK 3 cents	HK 3 cents
Earnings per share	HK 12.54 cents	HK 5.59 cents

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

Notes	2004 HK\$'000	2003 HK\$'000
Turnover	974,147	734,586
Cost of sales	(748,024)	(573,076)
Gross profit	226,123	161,510
Other operating income	8,439	4,235
Selling and distribution costs	(90,761)	(46,886)
Administrative expenses	(90,869)	(72,217)
Amortisation of goodwill arising from the acquisition of subsidiaries	(4,647)	-
Surplus on revaluation of investment properties	7,525	960
Gain (Loss) on disposal of property, plant and equipment	1,308	(268)
Loss on disposal of investment properties	-	(951)
Impairment loss recognised in respect of plant and machinery	3	(13,370)
PROFIT FROM OPERATIONS	4	57,118
Finance costs	(4,111)	(3,459)
Share of results of associates	5,240	4,849
Amortisation of goodwill arising from the acquisition of an associate	(403)	(403)
PROFIT BEFORE TAX	57,844	34,000
Income tax expenses	5	(7,079)
PROFIT AFTER TAX	50,765	22,780
Minority interests	(283)	(283)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	50,482	22,497
Dividends	6	
Interim	8,055	8,055
Proposed final	12,082	12,082
	20,137	20,137
EARNINGS PER SHARE	7	
Basic	12.54 cents	5.59 cents
Diluted	N/A	N/A

Notes:

1. Basis of preparation

The audited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Segment information

(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.

In prior year, the Group was only involved in printing of books and magazines and printing of packaging products. The printing of pop-up and touch-and-feel books was a result of the completion of the acquisition of SNP Excel (Hong Kong) Company Limited and SNP Excel (Thailand) Co., Ltd on 8 September 2004.

Segment information of 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
Segment results	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

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
Segment results	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

(b) Geographical segments

	2004 HK\$'000	2003 HK\$'000
Segment revenue		
People's Republic of China, excluding Hong Kong	392,819	359,502
Hong Kong	24,317	34,082
	417,136	393,584
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

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 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 was recognised as an expense in the income statement in 2003.

4. Profit from operations

	2004 HK\$'000	2003 HK\$'000
Profit from operations was arrived at after charging:		
Depreciation	51,298	45,617
Allowance for doubtful debts, net	6,315	-
Allowance for inventories, net	1,882	-
Exchange loss, net	3,704	-
Minimum lease payments under operating leases:		
- Plant and machinery	96	49
- Land and buildings	4,496	1,076
	4,592	1,125
And after crediting:		
Exchange gain, net	-	1,997
Interest income	1,164	848

5. Income tax expenses

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

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 rates prevailing in the respective jurisdiction.

6. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid: HK 2 cents (2003: HK 2 cents) per share	8,055	8,055
Final dividend proposed: HK 3 cents (2003: HK 3 cents) per share	12,082	12,082
	<u>20,137</u>	<u>20,137</u>

The Company paid an interim dividend of HK 2 cents for the six months ended 30 June 2004 on 25 August 2004. The Board of Directors recommends a final dividend of HK 3 cents in respect of the results for the year ended 31 December 2004.

7. 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.

FINAL DIVIDEND

The Board has resolved to declare a final dividend of HK 3 cents per share for the year ended 31 December 2004 (2003: HK3 cents) to be payable on Thursday, 7 April 2005, to shareholders whose names appear on the register of members of the Company on Monday, 28 February 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 February 2005 to Monday, 28 February 2005, 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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 23 February 2005.

MANAGEMENT DISCUSSION & ANALYSIS

Sales of different products

	2004 HK\$'000	2003 HK\$'000
Packaging Printing	95,683	66,453
Book Printing	418,915	413,345
Magazines Printing	271,396	254,096
Pop-up and touch-and-feel books Printing	187,340	–
Colour Separation	813	692
	<u>974,147</u>	<u>734,586</u>

Sales within different regions

	2004 HK\$'000	2003 HK\$'000
Mainland China, excluding Hong Kong	392,819	359,502
Hong Kong	24,317	34,082
	<u>417,136</u>	<u>393,584</u>
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
	<u>974,147</u>	<u>734,586</u>

BUSINESS AND FINANCIAL REVIEW

2004 was a challenging year to SNP Leefung. In September 2004, the Company acquired from its holding company, SNP Corporation Ltd ("SNP Corp"), 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 a total consideration of approximately HK\$409 million. Both Excel (HK) and Excel (Thai) are engaged in the production of pop-up and touch-and-feel books. Excel (HK) and Excel (Thai) in total contributed a net income of HK\$12.1 million for the period post acquisition till the year end date before the amortization of goodwill and interest costs.

During the year under review, we were able to attain sound operating and financial results under a very competitive market environment. The Group recorded a turnover of HK\$974 million, up from HK\$735 million, representing an increase of HK\$239 million, approximately 33% over last year. The reason for the increase was attributed to the inclusion of the turnover contributed from the pop-up business which amounted to approximately HK\$187 million. Our core printing businesses continue to provide positive contributions in terms of operating profits and cashflows, the net operating profit before capital items amounted to HK\$48 million as compared to HK\$36 million for the year of 2003.

Despite the increasing paper prices early this year, we were able to maintain our gross profit margin at 23%, which was comparable with that of last year. Cost savings were achieved through effective reduction in overheads expenses. We continue to strive for stringent cost control, low bad debt level and the enhancement of cost efficiency across the Group.

Finance costs has increased slightly from HK\$3.5 million to HK\$4.1 million despite the additional interest costs incurred for the additional loans drawn for the acquisition of Excel (HK) and Excel (Thai). This resulted from the reduction in interest rates during the first half of the year together with the improvement in treasury management activities.

China Division

Being a well-known printing group in Mainland China, we are focusing on providing high-quality magazines and hardcover books. As our sales volume has almost utilized our full production capacity, our sales level remained at approximately HK\$352 million for the year. The Group had already acquired new machineries to increase our capacity in end 2004. With our continuous proactive marketing efforts, we expect that our PRC sales will grow next year.

Export Division

The turnover has increased by 6% over the year. In 2004, we have restructured our overseas sales team which will become fully functional in 2005. Further, we will benefit from the integration with the SNP Excel companies by having better opportunities in cross selling to existing customers.

Packaging Division

The loss incurred for this division has reduced significantly by 41% as a result of the effectiveness of the new management team in increasing the sales volume and implementing cost control measures. We are optimistic that the division may turnaround in 2005.

Pop-up Division

Upon the acquisition of Excel (HK) and Excel (Thai), the Pop-up Division has contributed a total revenue of HK\$187 million and a net income of HK\$12.1 million in 2004. Other than benefiting from the synergistic opportunities in the areas of marketing and production, the profitability of the Group is expected to improve upon the diversification of its product offerings into pop-up books business.

Capital Investments

During the year, we have invested approximately HK\$60.4 million in upgrading our existing facilities and increasing our production capacities. This indicates our determination in reinforcing our production capability and commitment to offer high-quality services. It is contemplated that further investments in advanced printing machines will be made in coming years in order to ensure our prompt responsiveness to the increasing demands from our valuable customers. We are confident that we are well-equipped to consolidate our position as one of the leading printers in printing industry.

OUTLOOK

Following the acquisition of the new business lines in pop-up books printing, we continue to reinforce our prime focus on the development of the core printing business. With the full integration with SNP Excel companies, we are optimistic that we will have an encouraging growth in 2005.

In addition to organic growth, the Group will continually explore value-enhancing merger and acquisition opportunities. We will also look at possibilities of vertical or horizontal integration within the SNP Group, so as to enlarge and strengthen our size, capacity and more importantly, our market share in the industry.

We continue to place priority on staff development. There will be continual talent recruitment and training for our staff. Technical and inter-company posting within the Group will be provided to enrich the professional knowledge of our dedicated employees.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group's cash and bank balances amounted to HK\$152 million, increased from HK\$81 million in prior year, while the total assets and the net assets were approximately HK\$1,743.7 million and HK\$754.9 million respectively.

The current ratio at year end decreased slightly from 2.04 to 1.81 and the total bank borrowings had increased by HK\$486.9 million, including the term loan borrowing for the acquisition of Excel (HK) and Excel (Thai). The net gearing ratio based on total borrowings less cash and bank balances to equity has increased from 13% to 67% as at year end as a result of the increase in bank borrowing from financing the acquisition of Excel (HK) and Excel (Thai). In view of the Group's ability to generate cash from its operations, together with approximately HK\$603 million unutilised bank facilities at the balance sheet date, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

CAPITAL STRUCTURE

As at 31 December 2004, total equity attributable to shareholders was HK\$754.9 million, which had increased by HK\$33.2 million as compared to HK\$721.7 million as at 31 December 2003.

As at 31 December 2004, the Group's total borrowings (including bank borrowings and obligation under finance leases) amounted to HK\$661.5 million (31 December 2003: HK\$172 million) which represents 88% (31 December 2003: 24%) of the shareholders' equity. HK\$160.2 million, HK\$101 million, HK\$275.3 million and HK\$125 million will be repayable within one year, the second year, the third to fifth years and over five years respectively. Of the total borrowings, HK\$644.2 million are denominated in Hong Kong dollars and HK\$2.4 million and HK\$14.9 million, respectively are denominated in United States Dollars and Thai Baht.

TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 97% of the total borrowings at the year end date, was in Hong Kong dollars while the remaining balance was in other currencies.

The Group's borrowings are principally on the floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps are used in managing the interest rate exposure.

PLEDGE OF ASSETS

As at 31 December 2004, the Group pledged its property, plant and equipment with an aggregate carrying value of approximately HK\$10 million (31 December 2003: Nil) as securities for generating banking facilities granted to the Group.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

At the end of 2004, the Group employed a total of approximately 200 employees in Hong Kong and a workforce of approximately 8,000 in the PRC and Thailand.

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, contribution to staff's provident fund, share options and discretionary training subsidies. Discretionary bonuses are also available to employees of the Group depending upon the financial performance of the Group.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no repurchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2004.

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 year, 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 45(1) to 45(3) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting period commencing before 1 July 2004 under the transitional arrangements, 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 especially during such a challenging period. In addition, we would also like to thank all our shareholders for their support of the Group and our customers for their business.

By Order of the Board

Yeo Chee Tong

Executive Director and Chief Executive Officer

Hong Kong
17 January 2005

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 Directors, being Mr. Tay Siew Choon, 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.