



LEEFUNG-ASCO PRINTERS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

The Board of Directors of Leefung-Asco Printers 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 2002.

For the year ended 31 December 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

Notes	2002 HK\$'000	2001 HK\$'000
Turnover		
Continuing operations	980,356	956,064
Discontinued operations	41,463	63,038
	<u>1,021,819</u>	<u>1,019,102</u>
Cost of sales	(789,815)	(873,902)
Gross profit	232,004	145,200
Other revenue	3,091	6,180
Distribution costs	(40,634)	(35,638)
Administrative expenses	(126,906)	(154,497)
Deficit arising on revaluation of investment properties	(15,334)	(10,840)
Gain/(loss) on disposal of fixed assets	(3,965)	101
Amortisation of goodwill arising from the acquisition of subsidiaries	—	(355)
Impairment loss recognised in respect of goodwill	—	(2,638)
Gain on disposal of discontinued operations	25,506	—
Gain on disposal of interests in subsidiaries	816	—
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	74,578	(52,487)
Finance costs	(12,766)	(23,399)
Loss on disposal of an associate	—	(300)
Share of results of associates	3,526	(3,323)
Amortisation of goodwill arising from the acquisition of associates	(403)	(290)
	<u>3,123</u>	<u>(3,613)</u>
PROFIT/(LOSS) BEFORE TAX	61,956	(72,923)
Continuing operations	2,979	(6,876)
Discontinued operations	64,935	(79,799)
Tax	(15,771)	(8,340)
Continuing operations	(400)	553
Discontinued operations	(16,171)	(7,787)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	48,764	(87,586)
Minority interests	(8,627)	(7,643)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>40,137</u>	<u>(95,229)</u>
Dividends		
Interim	8,055	—
Proposed final	12,082	—
	<u>20,137</u>	<u>—</u>
EARNINGS/(LOSS) PER SHARE		
Basic	9.97 cents	(24.36) cents
Diluted	N/A	N/A

Notes:

1. Change of accounting policies

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 33 : Discontinuing operations
- SSAP 34 : Employee benefits

The adoption of these SSAPs do not have any material impact on accounting policies and financial results of the Group except that certain comparatives previously reported have been reclassified to conform with the new disclosure requirements. Detailed changes to the Group's accounting policies and the effects of adopting these standards are set out in the annual report.

2. Segment information

(a) Business segments

An analysis of the Group's revenue and results for the years ended 31 December 2002 and 2001 by business segments are as follows:

For the year ended 31 December 2002

	Continuing operations		Discontinued operations			Consolidated HK\$'000
	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Financial printing HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Segment revenue						
External sales	696,113	284,243	41,463	—	—	1,021,819
Intersegment sales	1,213	5,387	—	—	(6,600)	—
Total	<u>697,326</u>	<u>289,630</u>	<u>41,463</u>	<u>—</u>	<u>(6,600)</u>	<u>1,021,819</u>
Segment results	<u>68,581</u>	<u>14,626</u>	<u>2,988</u>	<u>—</u>	<u>—</u>	<u>86,195</u>
Deficit arising on revaluation of investment properties	—	—	—	—	—	(15,334)
Gain on disposal of discontinued operations	—	—	25,506	—	—	25,506
Gain on disposal of interests in subsidiaries	185	631	—	—	—	816
Unallocated corporate expenses	—	—	—	—	—	(22,605)
Profit from operating activities	—	—	—	—	—	74,578
Finance costs	—	—	—	—	—	(12,766)
Share of results of associates	3,590	—	—	(64)	—	3,526
Amortisation of goodwill arising from the acquisition of associates	(403)	—	—	—	—	(403)
Profit before tax	—	—	—	—	—	64,935
Tax	—	—	—	—	—	(16,171)
Profit before minority interests	—	—	—	—	—	48,764
Minority interests	—	—	—	—	—	(8,627)
Net profit from ordinary activities attributable to shareholders	—	—	—	—	—	<u>40,137</u>

	Continuing operations		Discontinued operations		Consolidated HK\$'000
	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Financial printing HK\$'000	Others HK\$'000	
Segment revenue					
External sales	690,610	265,454	63,038	—	1,019,102
Intersegment sales	8,107	11,377	—	(19,484)	—
Total	<u>698,717</u>	<u>276,831</u>	<u>63,038</u>	<u>(19,484)</u>	<u>1,019,102</u>
Segment results	<u>1,260</u>	<u>(22,924)</u>	<u>(6,382)</u>	<u>—</u>	<u>(28,046)</u>
Deficit arising on revaluation of investment properties	—	—	—	—	(10,840)
Amortisation of goodwill arising from the acquisition of subsidiaries	(355)	—	—	—	(355)
Impairment loss recognised in respect of goodwill	(2,638)	—	—	—	(2,638)
Unallocated corporate expenses	—	—	—	—	(10,608)
Loss from operating activities	—	—	—	—	(52,487)
Finance costs	—	—	—	—	(23,399)
Loss on disposal of an associate	—	—	—	—	(300)
Share of results of associates	(2,570)	—	—	(753)	(3,323)
Amortisation of goodwill arising from the acquisition of associates	(290)	—	—	—	(290)
Loss before tax	—	—	—	—	(79,799)
Tax	—	—	—	—	(7,787)
Loss before minority interests	—	—	—	—	(87,586)
Minority interests	—	—	—	—	(7,643)
Net loss from ordinary activities attributable to shareholders	—	—	—	—	<u>(95,229)</u>

(b) Geographical segments

	Group	
	2002 HK\$'000	2001 HK\$'000
Segment revenue		
People's Republic of China, excluding Hong Kong	567,221	577,622
Hong Kong	108,546	121,028
	<u>675,767</u>	<u>698,650</u>
United States of America	253,942	240,769
United Kingdom	71,045	41,749
Other areas	21,065	37,934
	<u>1,021,819</u>	<u>1,019,102</u>

3. Discontinued operations

In view of the Group's strategy to concentrate on its core businesses, the Group has decided to discontinue its operation in financial printing during the year. On 2 August 2002, the Group entered into a sales and purchase agreement with an independent third party pursuant to which the Group procured to dispose of the entire interest in Vite Limited ("Vite"), a wholly-owned subsidiary of the Company, for a total consideration of approximately HK\$34.0 million. The segmental information of the subsidiary has been presented as "financial printing" in note 2. The transaction was completed in August 2002 and the profit arising from the disposal amounted to approximately HK\$25.5 million. The results of the subsidiary disposed of were classified as discontinued operations in the consolidated profit and loss account.

All of the revenue of the discontinued operations for the year is represented by the amount of turnover disclosed on the face of the consolidated profit and loss account. As at the date of disposal, the carrying amounts of the total assets and liabilities of the subsidiary disposed of were approximately HK\$22.0 million (31 December 2001: approximately HK\$18.6 million) and approximately HK\$15.2 million (31 December 2001: approximately HK\$14.5 million), respectively. The net cash inflows/(outflows) attributable to the operating, investing and financing activities of the discontinued operations for the year amounted to approximately HK\$4.4 million (2001: approximately HK\$(9.8) million), approximately HK\$(0.7) million (2001: approximately HK\$(0.7) million) and approximately HK\$(1.4) million (2001: approximately HK\$(44.0) million), respectively.

4. Profit/(loss) from operating activities

Profit/(loss) from operating activities is arrived at after charging/(crediting):

	2002 HK\$'000	2001 HK\$'000
Depreciation	61,105	59,136
Provision for bad and doubtful debts	22,196	43,239
Minimum lease payments under operating leases:		
Plant and machinery	1,522	3,338
Land and buildings	2,165	3,530
	<u>3,687</u>	<u>6,868</u>
Auditors' remuneration	1,302	1,326
Exchange loss/(gain), net	(1,162)	1,771
Gross rental income	(512)	(452)
Less: outgoings	30	22
Net rental income	(482)	(430)
Interest income	(962)	(1,261)

5. Tax

	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong	400	—
Elsewhere	15,573	8,340
Overprovision in the prior year	—	(748)
Deferred	—	195
	<u>15,973</u>	<u>7,787</u>
Share of tax attributable to associates	198	—
Tax charge for the year	<u>16,171</u>	<u>7,787</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. Dividends

	2002 HK\$'000	2001 HK\$'000
Interim - 2 HK cents (2001: Nil) per ordinary share	8,055	—
Proposed final - 3 HK cents (2001: Nil) per ordinary share	12,082	—
	<u>20,137</u>	<u>—</u>

The Company paid an interim dividend of 2 HK cents for the six months ended 30 June 2002 on 23 October 2002. The Board of Directors recommend a final dividend of 3 HK cents in respect of the results for the year ended 31 December 2002.

7. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on net profit/(loss) from ordinary activities attributable to shareholders of HK\$40,137,000 (2001: loss of HK\$95,229,000), and the weighted average of 402,736,288 shares (2001: 390,976,272) in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 2002 and 2001 have not been disclosed as no diluting events existed during these years.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of 3 HK cents per share for the year ended 31 December 2002 (2001: Nil) to be payable on Thursday, 3 July 2003, to shareholders whose names appear on the register of members of the Company on Wednesday, 18 June 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 June 2003 to Wednesday, 18 June 2003, 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 Thursday, 12 June 2003.

MANAGEMENT DISCUSSION & ANALYSIS

Sales of different products

	2002 HK\$'000	2001 HK\$'000
Packaging Printing	284,243	265,454
Case-bound Books Printing	403,835	321,925
Magazines Printing	222,440	228,697
Children's Books Printing	63,329	117,739
Financial Printing	41,463	63,038
Colour Separation and Publishing	6,509	22,249
	<u>1,021,819</u>	<u>1,019,102</u>

Sales within different regions

	2002 HK\$'000	2001 HK\$'000
People's Republic of China, excluding Hong Kong	567,221	577,622
Hong Kong	108,546	121,028
	<u>675,767</u>	<u>698,650</u>
United States of America	253,942	240,769
United Kingdom	71,045	41,749
Other areas	21,065	37,934
	<u>1,021,819</u>	<u>1,019,102</u>

BUSINESS AND FINANCIAL REVIEW

On the right track going forward

In a neutral commercial environment, 2002 was an exceptionally busy year at Leefung-Asco. Amid intense restructuring we have met the commitments outlined in the year 2001 Annual Report to abide by best practice standards in commercial, operational, financial and administrative matters and to focus on the long-term interest of the shareholders. Through an open and precise disclosure process, investors and the business community as a whole have been able to follow the progress of the Group going forward. It is in the same spirit of candid and professional communication that developments for the year 2002, as well as the outlook for 2003 are reported.

Leefung-Asco reports a net profit of HK\$40.1 million in 2002, compared with a loss of HK\$95.2 million in 2001. Total sales were virtually unchanged at HK\$1,021.8 million versus HK\$1,019.1 million in 2001, yet taking into account that the turnover of Vite (which was disposed in 2002) was only recorded until July. The gross profit increased HK\$86.8 million to HK\$232.0 million, from HK\$145.2 million the previous year. Due to the restored profitability and further working capital improvements, net cash inflow from operating activities remained strong. This together with the disposal of Vite and partial disposal of Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (the "Shanghai JV"), lead to a HK\$113.3 million reduction in the total borrowings to HK\$202.1 million. The net gearing of the Group was 15% at 31 December 2002 compared with 33% at 31 December 2001.

Sales levels maintained

The sales of the Group were negatively impacted by HK\$21.6 million as a result of the disposal of Vite in August 2002.

Sales of the PRC Division were at the same level as last year as a result of the Management's decision to rigorously screen the customers and depart from the previous priority of building market share.

Export has been identified as a growth area in early part of 2002. Yet, the increase in sales was limited to HK\$20.7 million (2002: HK\$339.6 million versus 2001: HK\$318.9 million) as the Management was adamant that the new dynamism of the sale force should be accompanied by a strict selection of customers.

The Packaging Division reported an increase in sales of HK\$18.8 million to HK\$284.2 million from HK\$265.4 million. The strengthening of the relationship with key customer, made it possible to recapture subcontract work for the important American market. The new boxplant was commissioned after the peak sales season. Therefore it did not contribute significantly to the sales of the Group. The increase originated in the Colour Box section, where the box making process combines litho printing with laminating whilst the boxplant associates flexo printing with corrugating.

Success in controlling costs and enhancing efficiency

The following are the main factors in the 60% increase in Gross Profit, which amounts to HK\$86.8 million:

- HK\$24.1 million - reduction in paper cost
- HK\$36.5 million - reduction in stock write-offs in respect of obsolescence and overstatements
- HK\$18.5 million - reduction in staff cost
- HK\$7.7 million - various other cost savings

The Administrative Expenses were down HK\$27.6 million to HK\$126.9 million, in 2002 as a result of the policy of constraining and reducing all type of expenses. Included in the Administrative Expenses, the Provision for bad and doubtful debts in particular is down by HK\$21.0 million to HK\$22.2 million. The provisions recorded in 2001 have enabled the Group to write off the past balances. The new policy of carefully selecting the customers experienced early successes. Management will continue to tighten credit control with the objective of further lowering the exposure for bad debts.

The Finance costs were HK\$10.6 million down in 2002 to HK\$12.8 million reflecting both the fall in interest rates and the drop in net borrowings.

The Share of associates results before tax shows a HK\$6.8 million improvement due in most part to our Beijing operation. In 2001, adjustments and write-offs in this operation had generated a net loss.

Capital items

In 2002, the capital gain generated from the disposal of Vite of HK\$25.5 million was largely offset by reduction in carrying value of certain properties and specific write-off due to the closure of non-core operations. Therefore, the result of 2002 does not benefit from the gains on capital items and primarily reflects the improvement in operations.

2002 - A transition year: Sharpening the edge of Leefung-Asco

Progress in the 2002 results were due to the success of the cost reduction actions made possible by the implementation of the following programmes:

- Strengthening of controls at operational and functional levels, in particular in areas like paper purchasing, capital expenditure and disposals;
- Reorganisation of the Group in business units (PRC, Export, Packaging Divisions) and Management changes. The changes brought quick and robust benefits in the Export Division, and strong improvements in the PRC Division. The Packaging Division had a complex year. Success was achieved in fixing the Colour Box Department, starting up the Boxplant, building an entirely new team so as to make the Packaging Division a division in its own right. This process did not come to an end until the last quarter of 2002;
- Recruitment at all levels. The skills and professionalism of the new staff gave the Group a much-needed fillip while bringing about many solutions and preparing for more improvement going forward.

In the meantime, Management decided to redefine the scope of the Group's business areas and to focus it on Magazines, Books and Packaging Printing. The criteria that were applied were the following:

- To focus on manufacturing activities, which resulted in the exit from those service related activities such as Vite and Racing World Publications Limited;
- To have synergies at the operational and strategic level, which brought about the reduction of the share of Leefung-Asco in the Shanghai JV from 51% to 25%.

In addition to focusing Leefung-Asco on a reduced number of activities and processes, making it possible to achieve synergies, those disposals contributed HK\$65.4 million in cash/receivables and further strengthened the balance sheet of the Group.

OUTLOOK

In 2003, the Group will continue to consolidate therefore creating the basis for a future growth in profitability.

On the strategic side, the relatively capital intensive businesses of Leefung-Asco necessitate a dramatic increase in sales, prioritising new types of customers and new markets. Progress is being made in all three divisions to restructure the sales forces accordingly. In particular, efforts are being made on the marketing and organisation sides to strengthen the synergies between Printing and Packaging, and capitalise on the unique features of the Dongguan Plant.

Internally, the turnaround of the Group will be more and more process driven. Now that Finance and Reporting disciplines have been strengthened, Purchasing and Manufacturing will become the focus of the attention. Based on selective appointments, the objectives will be:

- To work through an effective logistic chain. The objective will be minimise the costs of materials and reduce the inventories to the optimal level on a sustainable basis;
- In Manufacturing, to set the standards to:
 - Optimise the number of people employed at a time of new Labor Legislation in China;
 - Enhance the operational efficiency, in particular to reduce wastage.

In parallel, the procedures will be gradually integrated into a vastly improved Information System, which is under development under the responsibility of the freshly created Information System Department.

The Impact of the objectives listed above will be progressive over the medium term. In the shorter term, the Group enjoys stable trading conditions in the PRC Division and confirms its drive toward improvement. The other two Divisions are dealing with a more difficult environment in view of their reliance on Exports, especially to the United States. Consequently, the near term business environment is more challenging than anticipated.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2002, the Group's cash and bank balances amounted to HK\$95.4 million while the total assets and the net assets were approximately HK\$1,133.1 million and HK\$721.8 million.

The current ratio at year-end 2002 increased from 1.02 to 1.95 due to a significant reduction of closing inventories and short-term bank loans. As at 31 December 2002, the total bank borrowings had decreased by HK\$113.3 million and the net gearing ratio improved from 33% to 15%. In view of the Group's ability to generate cash from its operations, together with approximately HK\$538.6 million unutilised banking facilities at the balance sheet date, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

The Group is committed towards better working capital management in further reducing the inventory level and tightening its measures on the trade receivables. The closing inventory has decreased by HK\$30.9 million and the average stock turnover ratio is comparable with that of last year, i.e. 2.7 months. Trade receivables decreased by HK\$26.5 million and the average debtor turnover period in terms of sales decreased from 2.7 months to 2.4 months.

With current cash position as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

CAPITAL STRUCTURE

As at 31 December 2002, the Group's net assets was financed by internal resources through share capital and reserves. Total equity attributable to shareholders was HK\$721.8 million, representing an increase of 6% over last year.

In order to take the advantage of low interest rate environment, the Group has restructured the short-term loans into two long-term loans amounted to HK\$150.0 million. As at 31 December 2002, the Group's bank borrowings amounted to HK\$202.1 million (31 December 2001: HK\$315.4 million) which represents 28% (31 December 2001: 47%) of the shareholders' equity. HK\$57.1 million, HK\$60.0 million and HK\$85.0 million were repayable within one year, the second year, the third to fifth years, respectively. Of the total borrowings, HK\$24.5 million, HK\$0.6 million were denominated in US dollars and GB pounds and the remaining HK\$177.0 million were denominated in Hong Kong dollars.

TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 88% of the total borrowing at the year end date, was in Hong Kong dollars while the balance was in other currencies.

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

PLEDGE OF ASSETS

As at 31 December 2002, the Group did not pledge its plant and equipments (2001:HK\$22.2 million), investment properties (2001: HK\$4.0 million), land & buildings (2001: HK\$186.2 million) and bank deposit (2001: HK\$1.8 million) as securities for generating banking facilities granted to the Group.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

At the end of 2002, the Group employed a total of approximately 90 employees in Hong Kong and a workforce of approximately 2,900 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. 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

During the year, the Company repurchased 10,000 shares from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a price of HK\$0.72 per share. These shares were then cancelled in December 2002. An amount of HK\$1,000 has been transferred from retained profits to the capital redemption reserve and the premium paid on redemption of these repurchased shares amounting to HK\$6,200 has been charged to the share premium account.

Saved as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2002.

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 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 year. 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
Alain Raymond Baudant
Chief Executive Officer

Hong Kong
9 April 2003