



SNP LEEFUNG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 623)

RESULTS ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2005

THE FIRST QUARTER RESULTS

The Board of Directors of SNP Leefung Holdings Limited (the “Company”) are pleased to announce the unaudited first quarter results for the year ending 31 December 2005 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

	<i>Notes</i>	Three months ended 31 March 2005 (Unaudited) HK\$'000	Three months ended 31 March 2004 (Unaudited) HK\$'000
Turnover	2	286,374	190,615
Cost of sales		<u>(224,629)</u>	<u>(148,628)</u>
Gross profit		61,745	41,987
Other operating income		843	786
Selling and distribution costs		(27,575)	(14,848)
Administrative expenses		<u>(21,961)</u>	<u>(19,466)</u>
Profit from operations		13,052	8,459
Finance costs		(2,524)	(434)
Share of results of associates		1,298	1,307
Amortisation of goodwill arising from the acquisition of an associate		—	(101)
Profit before tax		11,826	9,231
Income tax expenses	3	<u>(2,579)</u>	<u>(1,988)</u>
Profit after tax		9,247	7,243
Minority interests		<u>(71)</u>	<u>(71)</u>
Net profit attributable to shareholders		<u>9,176</u>	<u>7,172</u>
Basic earnings per share	4	<u>HK2.28 cents</u>	<u>HK1.78 cents</u>

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 financial statement for the year ended 31 December 2004.

In the current period, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

2. Turnover by geographical areas

	Three months ended 31 March 2005 (Unaudited) HK\$'000	Three months ended 31 March 2004 (Unaudited) HK\$'000
Mainland China, excluding Hong Kong	90,592	92,312
Hong Kong	12,319	6,652
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	102,911	98,964
United States of America	110,436	37,625
United Kingdom	46,711	26,664
Australia	7,274	24,091
Other areas	19,042	3,271
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	286,374	190,615
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3. Income tax expenses

	Three months ended 31 March 2005 (Unaudited) HK\$'000	Three months ended 31 March 2004 (Unaudited) HK\$'000
Current tax:		
Hong Kong	1,656	1,067
Other jurisdictions	514	548
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Taxation attributable to the Company and its subsidiaries	2,170	1,615
Share of taxation attributable to associates	409	373
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	2,579	1,988
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Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the period.

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdiction.

4. Basic earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2005 is based on the net profit attributable to shareholders of approximately HK\$9,176,000 (2004: HK\$7,172,000) and the weighted average of 402,726,918 shares (2004: 402,726,918 shares) in issue during the period.

There was no dilution arising from the outstanding share options granted by the Company in 2003. The dilution from the outstanding share options granted by the Company in 2004 was immaterial. Accordingly, diluted earnings per share have not been shown.

MANAGEMENT DISCUSSION & ANALYSIS

For the first quarter ended 31 March 2005, the Group reported a turnover of HK\$286.4 million, an increase of 50% compared to the same quarter last year and a net profit attributable to shareholders of HK\$9.2 million, an increase of 28% compared to the same period last year.

The reason for the large increase in turnover was attributed to the inclusion of the turnover from the pop-up business which was acquired in September last year. For the same reason, the level of selling and distribution costs also increased proportionately. The gross profit for the period increased from HK\$42.0 million to HK\$61.7 million which was in line with the increase in turnover with the gross profit margin remaining stable at approximately 22%.

The finance costs for the Group has increased by HK\$2.1 million, resulting from the combined effects of higher interest rates and the increase in bank borrowing to finance the acquisition of SNP Excel (Hong Kong) Company Limited and SNP Excel (Thailand) Co., Ltd. The net borrowing position and the net gearing ratio remained stable at HK\$508 million and 66% respectively at 31 December 2004 and at 31 March 2005.

PROPOSED ACQUISITION OF YAU YUE PAPER PRODUCTS LIMITED (“YAU YUE”)

On 18 March 2005, the Company has entered into an acquisition agreement pursuant to which the shareholders of Yau Yue conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, representing 60% of the issued share capital of Yau Yue, for an aggregate cash consideration of HK\$68.4 million. The transaction is expected to complete in early May 2005 and a circular containing the detailed information of the acquisition will be despatched to the shareholders in due course.

With the successful acquisition of Yau Yue, the Group will be able to immediately gear up its existing packaging business from a start-up stage to a growth stage as the enlarged packaging business will contribute about one-fourth of the Group's annual turnover. Yau Yue's business knowledge and experience in corrugated business will help turnaround the Group's current loss-making corrugated business. Further costs synergies will be achieved upon full integration of the Group's existing packaging business and Yau Yue.

PROSPECTS

As explained in the section headed “Proposed acquisition of Yau Yue”, upon completion of the acquisition of Yau Yue, the Group would have successfully built up a diversified and well balanced product lines comprising magazines, case-bound books, pop-up books and packaging products. Apart from benefitting from the centralization of purchasing, administrative and procurement functions, the Group is also able to accelerate its business growth through cross-selling opportunities and full integration amongst the operating subsidiaries. The order on hand for the second quarter is encouraging and hence we are optimistic about the growth for the second quarter.

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
12 April 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 Director, being Mr. Tay Siew Choon, and four independent non-executive Directors, being Mr. Cheng Wai Wing, Edmund, Mr. John Robert Walter, Mr. Lai Ming, Joseph and Ms. Alice Kan Lai Kuen.

“Please also refer to the published version of this announcement in The Standard”