



**SNP LEEFUNG HOLDINGS LIMITED**

**利豐雅高印刷集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 623)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

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 2006 of the Company and its subsidiaries (the “Group”) together with the comparative figures for the same period as follows:

**CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended 30 June</b>	
		<b>2006</b>	<b>2005</b>
	<i>Notes</i>	<b>Unaudited HK\$'000</b>	<b>Unaudited HK\$'000</b>
Revenue		<b>765,742</b>	703,162
Cost of sales		<b>(613,746)</b>	(553,627)
Gross profit		<b>151,996</b>	149,535
Other operating income		<b>3,683</b>	2,587
Selling and distribution costs		<b>(67,536)</b>	(62,525)
Administrative expenses		<b>(48,993)</b>	(48,238)
Gain on disposal of property, plant and equipment		<b>560</b>	2,476
Finance costs	4	<b>(18,400)</b>	(7,926)
Share of results of associates		<b>953</b>	1,867
Profit before tax	5	<b>22,263</b>	37,776
Income tax expenses	6	<b>(5,930)</b>	(5,664)
Profit for the period		<b>16,333</b>	32,112
Attributable to:			
Equity holders of the parent		<b>13,138</b>	30,173
Minority interests		<b>3,195</b>	1,939
		<b>16,333</b>	32,112
Interim dividend		–	10,068
Basic earnings per share	7	<b>HK2.61 cents</b>	HK7.37 cents
Interim dividend per share		–	HK2 cents

## CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>571,605</b>	593,112
Prepaid lease payments		<b>114,204</b>	114,539
Goodwill		<b>169,807</b>	169,807
Interests in associates		<b>106,934</b>	83,801
		<b>962,550</b>	961,259
<b>Current assets</b>			
Inventories		<b>216,012</b>	239,165
Trade and bills receivables	8	<b>579,401</b>	623,158
Prepaid lease payments		<b>935</b>	934
Prepayments, deposits and other receivables		<b>73,409</b>	60,925
Tax recoverable		<b>1,051</b>	2,973
Held-for-trading investments		<b>3,415</b>	4,144
Pledged bank deposits		<b>–</b>	630
Bank balances and cash		<b>128,979</b>	153,904
		<b>1,003,202</b>	1,085,833
<b>Current liabilities</b>			
Trade and bills payables	9	<b>151,506</b>	175,881
Other payables and accruals		<b>118,510</b>	98,809
Tax liabilities		<b>12,442</b>	8,108
Amount due to SNP Group		<b>846</b>	832
Amounts due to associates		<b>15,312</b>	24,102
Amounts due to minority shareholders		<b>8,096</b>	8,096
Bank borrowings due within one year		<b>212,967</b>	240,503
Obligations under finance leases due within one year		<b>3,116</b>	3,432
Derivative financial instruments		<b>5,630</b>	4,893
		<b>528,425</b>	564,656
<b>Net current assets</b>		<b>474,777</b>	521,177
<b>Total assets less current liabilities</b>		<b>1,437,327</b>	1,482,436
<b>Non-current liabilities</b>			
Bank borrowings due after one year		<b>457,246</b>	510,925
Obligations under finance leases due after one year		<b>1,686</b>	3,095
Deferred tax liabilities		<b>19,675</b>	19,553
		<b>478,607</b>	533,573
		<b>958,720</b>	948,863

## EQUITY

### Capital and reserves

Share capital	50,341	50,341
Reserves	875,194	868,483
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Equity attributable to equity holders of the parent	925,535	918,824
Minority interests	33,185	30,039
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	<b>958,720</b>	<b>948,863</b>
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Notes:

#### 1. Basis of preparation

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34: Interim Financial Reporting and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2005.

#### 2. Impact of new/revised HKFRSs and HKASs

The HKICPA has issued a number of new and revised HKFRSs and HKASs and Interpretations that are effective for accounting periods commencing on or after 1 January 2006. The adoption of the following HKFRSs and HKASs and Interpretations does not have any material effect on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease

### 3. Segment information

#### (a) Business segments

For the 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.

Inter-segment sales are charged at prevailing market prices.

Segment information about these businesses is presented below:

#### For the six months ended 30 June 2006

	Printing of books and magazines Unaudited HK\$'000	Printing of packaging products Unaudited HK\$'000	Printing of pop-up and touch-and- feel books Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
<b>Segment revenue</b>					
External sales	379,618	195,572	190,552	–	765,742
Inter-segment sales	192	494	5,308	(5,994)	–
Total	<u>379,810</u>	<u>196,066</u>	<u>195,860</u>	<u>(5,994)</u>	<u>765,742</u>
<b>Result</b>					
Segment result	<u>43,481</u>	<u>8,616</u>	<u>457</u>	<u>–</u>	52,554
Unallocated corporate expenses					(12,844)
Finance costs					(18,400)
Share of results of associates	(49)	1,002	–	–	953
Profit before tax					22,263
Income tax expenses					<u>(5,930)</u>
Profit for the period					<u>16,333</u>

**For the six months ended 30 June 2005**

	Printing of books and magazines Unaudited <i>HK\$'000</i>	Printing of packaging products Unaudited <i>HK\$'000</i>	Printing of pop-up and touch-and- feel books Unaudited <i>HK\$'000</i>	Eliminations Unaudited <i>HK\$'000</i>	Consolidated Unaudited <i>HK\$'000</i>
<b>Segment revenue</b>					
External sales	372,649	97,422	233,091	–	703,162
Inter-segment sales	149	4,235	1,075	(5,459)	–
	<u>372,798</u>	<u>101,657</u>	<u>234,166</u>	<u>(5,459)</u>	<u>703,162</u>
<b>Total</b>					
	<u>372,798</u>	<u>101,657</u>	<u>234,166</u>	<u>(5,459)</u>	<u>703,162</u>
<b>Result</b>					
Segment result	<u>43,393</u>	<u>(726)</u>	<u>15,532</u>	<u>–</u>	58,199
Unallocated corporate expenses					(14,364)
Finance costs					(7,926)
Share of results of associates	886	981	–	–	1,867
Profit before tax					37,776
Income tax expenses					(5,664)
<b>Profit for the period</b>					<u>32,112</u>

**(b) Geographical segments**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Segment Revenue</b>		
People's Republic of China	<b>206,087</b>	188,044
Hong Kong, SAR	<b>97,434</b>	41,795
Taiwan	<b>88,269</b>	32,938
The United States of America	<b>204,910</b>	258,784
The United Kingdom	<b>106,852</b>	121,732
Australia	<b>10,119</b>	20,588
Other areas	<b>52,071</b>	39,281
	<u><b>765,742</b></u>	<u>703,162</u>

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.

#### 4. Finance costs

	Six months ended 30 June	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	12,717	5,198
Bank and other borrowings wholly repayable over five years	5,490	2,613
Obligation under finance leases	193	115
	<u>18,400</u>	<u>7,926</u>

#### 5. Profit before tax

	Six months ended 30 June	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	109,362	106,592
– Retirement benefit scheme contributions, net of forfeited contributions of nil (2005: nil)	2,862	2,642
Total staff costs	<u>112,224</u>	<u>109,234</u>
Auditors' remuneration	896	823
Depreciation of property, plant and equipment	37,245	34,503
Minimum lease payment under operating leases:		
– Plant and machinery	29	69
– Properties	7,962	5,668
	<u>7,991</u>	<u>5,737</u>
Exchange gain, net	(2,313)	(35)
Reversal of inventories, net	(11)	–
Allowance for doubtful debts, net	9,484	539
Rental income	(523)	(458)
Less: outgoings	<u>510</u>	<u>400</u>
Net rental income	(13)	(58)
Interest income	(1,391)	(835)
Share of tax of associates (included in share of results of associates)	<u>763</u>	<u>775</u>

## 6. Income tax expenses

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Current tax:		
– Hong Kong	5,448	3,764
– Other jurisdictions	1,460	1,900
	<u>6,908</u>	<u>5,664</u>
Overprovision in prior years:		
– Hong Kong	(900)	–
– Other jurisdictions	–	–
Deferred taxation	(78)	–
	<u>5,930</u>	<u>5,664</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

## 7. Basic earnings per share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the parent of HK\$13,138,000 (2005: HK\$30,173,000), and the weighted average number of 503,408,647 shares (2005: 409,573,275 shares as restated for the Rights Issue on 14 July 2005) in issue during the period.

No diluted earnings per share have been presented because the exercise prices (as adjusted for the effect of share-based payments) of the Company's options were higher than the average market prices of the shares for both financial periods.

## 8. Trade and bills receivables

The Group allows different credit periods to its trade customers depending on the type of printing services provided. Credit periods vary from 90 to 180 days in accordance with the industry practice.

An aged analysis of the trade and bills receivables, based on payment due date, and net of allowance, is as follows:

	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b>Unaudited</b>	Audited
	<b>HK\$'000</b>	HK\$'000
Within credit period	413,358	345,744
1 – 30 days	82,203	141,657
31 – 60 days	25,820	62,215
61 – 90 days	16,305	33,580
Over 90 days	41,715	39,962
	<u>579,401</u>	<u>623,158</u>

The fair value of the Group's trade and bills receivables at 30 June 2006 was approximate to the corresponding carrying amount.

## 9. Trade and bills payables

An aged analysis of the trade and bills payables, based on payment due date, is as follows:

	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
0 – 30 days	<b>134,742</b>	148,797
31 – 60 days	<b>4,962</b>	11,901
61 – 90 days	<b>3,902</b>	7,423
91 – 120 days	<b>1,148</b>	3,569
Over 120 days	<b>6,752</b>	4,191
	<b><u>151,506</u></b>	<b><u>175,881</u></b>

The fair value of the Group's trade and bills payables at 30 June 2006 was approximate to the corresponding carrying amount.

## PROPOSED PRIVATISATION SCHEME

On 28 June 2006, SNP Corporation Ltd ("SNP Corp"), the controlling shareholder of the Company announced that it had entered into a sale and purchase agreement with independent third parties on 24 June 2006 to acquire 23,324,000 Company's shares at a consideration of HK\$39,184,320.

Upon completion of the transaction, SNP Corp's shareholding interest in the Company will increase from 70.93% to 75.56%. With this increase, the Company does not meet the minimum 25% public float requirement under Rule 8.08 (1) of the Listing Rules of The Stock Exchange of Hong Kong Ltd ("Stock Exchange"). As such, SNP Corp announced a privatisation proposal of the Company by way of a scheme of arrangement involving the cancellation of the Scheme Shares in the Company at the cancellation price of HK\$1.68 in cash per Scheme Share. On the basis of the Share Offer price of HK\$1.68 per Scheme Share and 503,408,647 Shares in issue, of which 123,026,662 were Scheme Shares as at 28 June 2006, the total consideration is valued at approximately HK\$206.68 million.

SNP Corp will also make the Option Proposal to purchase the Outstanding Options of the Company, for cancellation in exchange for cash for each Outstanding Option, subject to and conditional upon the Scheme becoming effective. The Option Proposal is valued at approximately HK\$2.80 million.

Upon the Scheme becoming effective, the Company will become a wholly owned subsidiary of SNP Corp. Application will be made to withdraw the listing of the Shares on the Stock Exchange if the Scheme is implemented.

The Proposed Scheme is conditional upon fulfillment or waiver, as applicable, of the conditions described in the announcement of the Company dated 28 June 2006.

## INTERIM DIVIDEND

The Board has resolved not to recommend an interim dividend for the six months ended 30 June 2006 (For the six months ended 30 June 2005: HK2 cents).



## MANAGEMENT DISCUSSION & ANALYSIS

### Business Review

For the first half of 2006, the Group reported a turnover of HK\$765.7 million, an increase of 8.9% over the last corresponding period and a net profit attributable to equity holders of the parent of HK\$13.1 million, a drop of 56.6% from HK\$30.2 million for the six months ended 30 June 2005. The net profit attributable to equity holders of parent before the provisions for bad debts of HK\$9.5 million amounted to HK\$22.6 million, representing a decrease of 25% over that of the corresponding last period.

The provision for bad debts of HK\$9.5 million was made by the Group in relation to a customer from our Pop-up division as this customer has filed for Chapter 11 in the United States in May 2006.

During the current period, the Group posted a turnover of HK\$765.7 million, up from HK\$703.2 million, representing an increase of HK\$62.5 million, approximately 8.9% over the last corresponding period in 2005. The increase was attributed to the inclusion of the six-month turnover of HK\$156.0 million from SNP Yau Yue Paper Products Limited (“SNP Yau Yue”), which was acquired in May 2005.

The gross profit for the period increased slightly from HK\$149.5 million to HK\$152.0 million with the margin lowered from 21.3% to 19.8%. The decrease in the gross profit margin was primarily due to the change in product mix in the current period, with higher weightage in corrugated products with lower gross margin.

Despite the pressure from the increase in operating costs such as fuel and oil charges, labour costs, etc, we were able to improve our percentage of selling and distribution costs to turnover (excluding the one-off bad debt provision of HK\$9.5 million) to 7.6% (2005: 8.9%) and administrative expenses to turnover to 6.4% (2005: 6.9%), respectively. Cost savings measures, including stringent cost control, credit control and reduction in overhead expenses have been implemented to enhance cost efficiency across the Group.

The finance costs of the Group have increased by HK\$10.5 million for the current period, resulting from the effects of continual increase in average interest rates to 5% (2005: 2%) for the six months ended 30 June 2006.

### China Division

Being a well-known printing group in Mainland China, we are focusing on producing high-quality coloured magazines. Turnover for the current period has increased by 12.7% resulting from increased production capacity from a new web press and the award of a major printing contract for Vogue magazine. With our continuous proactive marketing efforts and our prestige in the market, we expect that our PRC sales will continue to grow in the second half of this year.

### Export Division

The turnover has decreased by 7.9% over the corresponding last period, which was primarily due to a delay in the order pattern this year. The Management is confident that the continual efforts by our overseas sales teams will create value for the Company in expanding our overseas sales for the remaining months in this year.

### Packaging Division

With full consolidation of SNP Yau Yue, the packaging business doubled its turnover and recorded a turnaround in the current period. This was mainly attributed to the effectiveness of the new management team in increasing the sales volume, obtaining bulk purchase discounts and implementing cost control measures.

## **Pop-up Division**

The Pop-up Division recorded a drop in turnover by 18.3% as a result of fierce competitions from ex-senior executives. A provision for bad debts of HK\$9.5 million was also made in relation to a customer who has filed for bankruptcy in US.

## **Financial Review**

As at 30 June 2006, the Group's cash and bank balances amounted to HK\$129.0 million while the total assets and the net assets were approximately HK\$1,965.8 million (31 December 2005: HK\$2,047.1 million) and HK\$958.7 million (31 December 2005: HK\$948.9 million), respectively.

The current ratio decreased slightly to 1.90 as at 30 June 2006 (31 December 2005: 1.92) and the total bank borrowings had decreased by HK\$83.0 million to HK\$675.0 million (31 December 2005: HK\$758.0 million). The net gearing ratio based on total borrowings less cash and bank balances to total equity has decreased from 64.0% as at 31 December 2005 to 57.0% as at 30 June 2006 as a result of repayment of bank loans. In view of the Group's ability to generate cash from its operations, together with approximately HK\$842.2 million (31 December 2005: HK\$846.4 million) in unutilised bank facilities at the balance sheet date, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

As at 30 June 2006, total equity was HK\$958.7 million, which had increased by HK\$9.8 million, as compared to HK\$948.9 million as at 31 December 2005.

As at 30 June 2006, the Group's total borrowings (including bank borrowings and obligation under finance leases) amounted to HK\$675.0 million (31 December 2005: HK\$758.0 million) which represents 70.4% (31 December 2005: 79.9%) of the total equity. Of the total borrowings, HK\$216.1 million, HK\$153.7 million, HK\$280.2 million and HK\$25.0 million will be repayable within one year, the second year, the third to fifth years and over five years respectively. The total borrowings comprise an amount of HK\$665.3 million denominated in Hong Kong Dollars and HK\$9.7 million denominated in Renminbi.

## **Employees policy**

At the end of June 2006, the Group employed a total of approximately 180 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.

## **Pledge of assets**

As at 30 June 2006, the Group pledged its property, plant and equipment with an aggregate carrying value of approximately HK\$10.3 million (31 December 2005: HK\$11.4 million) as securities for generating banking facilities granted to the Group.

## **Contingent liabilities**

There were no material contingent liabilities of the Group at the end of the period under review.

## **PROSPECTS**

At the operating level, the enlarged packaging printing business following the acquisition of SNP Yau Yue last year continues to be strong in the current year. Further, our joint venture in Shanghai is expected to commence operations in the third quarter of this year and starts to contribute to the Group's growth beginning 2007.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2006.

## **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 2006.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has met the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Code during the six months ended 30 June 2006.

## **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  
13 July 2006

*As at the date of this announcement, the Board comprises two executive Directors, being Mr. Yeo Chee Tong and Mr. Yang Sze Chen, Peter, and four independent non-executive Directors, being Mr. Cheng Wai Wing, Edmund, Mr. John Robert Walter, Mr. Lai Ming, Joseph and Ms. Kan Lai Kuen, Alice.*

\* *For identification purposes only*

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