

## MESSAGE TO SHAREHOLDERS AND STAFF



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### **Chairman & CEO's Joint Message**

To our Shareholders, Colleagues and Friends,

Year 2004 saw our first major acquisition move since 1999.

We acquired two profitable pop-up printing companies SNP Excel (Hong Kong) Company Limited ("Excel (HK)") and SNP Excel (Thailand) Co., Ltd ("Excel (Thai)"), formerly known as SNP SPrint (Thailand) Co., Ltd, from our Singapore-based parent company, SNP Corporation Ltd.

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This acquisition allows us to expand our product offerings and market coverage. It is a big step forward by us to becoming a one-stop print supplier, which offers not just book and magazine printing but pop-up, touch-and-feel products, as well as colour box and corrugated box printing. In addition, our market bases have since been diversified into a well balanced portfolio, with approximately one-third revenue deriving from USA, one-third from China and the remaining one-third from Europe and Australia.



We focused much of the last quarter in 2004 on integration with Excel (HK) and Excel (Thai). Together with a right-sizing exercise for our China Division, we aim to reduce our overheads by HK\$5 million a year. We set up an international sales team, which operates from local offices in New York, San Francisco, London, Paris and Sydney. This team will bring us closer to the clients and improve our export market intelligence.

Outside Leefung, the business environment in 2004 remained challenging. In addition to keen competition, paper price went up during the first-half year and hence squeezed our gross margins. In particular, our magazine printing segment, which serves mainly the China-based clients, was affected most due to term contracts with magazine publishers. The paper prices however, began to ease since the second-half of 2004. We are now optimistic that a repeat of the acute upward movement of paper price in 2004 is unlikely to happen in 2005.

We have registered a 33% growth in revenue and 33% increase in after-tax profit from operations before capital items. In particular, we saw an improved performance of our start-up Packaging Division, which closed its second-year operations with a stronger operating foundation and a wider client base. We aim to breakeven this new business by 2005.



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### OUR PERFORMANCE IN 2004 IS SUMMARIZED AS FOLLOWS:

(HK\$ Million)	2004	2003	% Variance
Turnover	974	734	33%
Operating profit	54.7	47.1	16%
Tax	(7.1)	(11.2)	37%
	47.6	35.9	33%
Capital items	2.90	(13.4)	122%
Total	50.5	22.5	124%

In 2004, we continued to generate a healthy positive operating cashflow of HK\$60 million. This helped improve our EVA performance and we aim to be EVA breakeven by 2006.

2004 also saw the beginning of a continual renewal process of our Board of Directors. In early 2004, Mr Walter Ma and Mrs Maria Yang retired after serving the Board for 13 years and 2 years respectively. In February 2004, Ms Koo Tse Chia stepped down as a Board Member, and we invited Mr John Walter to join us as an Independent Non-Executive Director. In August 2004, we invited Mr Joseph Lai as another Independent Non-Executive Director, increasing our independent director pool to 4. During this financial year, Mr Frank Wong serves our Board from March 2004 till January 2005. We would like to put on record here our gratitude and sincere appreciation towards the invaluable advice and guidance given by the retired directors, who together with our current Board, have helped build the strong foundation for us to grow in future.

Looking ahead, we expect to be strongly challenged by various economies and operating environments. However, we remain confident and optimistic in our Year 2005 growth forecast that it will better its performance in 2004.



**Peter, Yang Sze Chen**  
Chairman



**Yeo Chee Tong**  
Chief Executive Officer

17 January 2005