

LFA

LEEFUNG-ASCO PRINTERS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

DISPOSAL OF 26% EQUITY INTEREST IN

SHANGHAI FANG YIN LEEFUNG-ASCO PRINTING AND PACKING CO., LTD.

On 24 October, 2002, LAPL, a wholly-owned subsidiary of the Company, entered into the Agreements with the PRC Shareholder to dispose of its 26% equity interest in Shanghai J.V. for an aggregate consideration of approximately RMB34 million.

Shanghai J.V. is an indirect non wholly-owned subsidiary of the Company and the PRC Shareholder is a substantial shareholder of Shanghai J.V.. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules and the Disposal is subject to approval by the Disinterested Shareholders. The Company has obtained the written approval of the Disposal from United Rise Investments Limited, S.I. Holdings Limited and Randburg Limited, all being Disinterested Shareholders, which among them collectively hold approximately 56.4% of the issued Shares as at the date of this announcement. In view of the above, the Company has made an application to and was granted by the Stock Exchange the Waiver from the requirement to convene a Shareholders' meeting in relation to the Disposal. Consequently, no Shareholders' meeting will be convened to consider and approve the Disposal.

The proceeds from the Disposal will be used as working capital for investments into the Group's core operations of printing of books and magazines business.

A circular containing i) further details of the Agreements and the Disposal; ii) the recommendation from the independent board committee of the Company; and iii) the advice from an independent financial adviser to the independent board committee of the Company in relation to the Disposal, will be despatched to the Shareholders as soon as practicable.

AGREEMENTS DATED 24 OCTOBER, 2002

Parties to the Agreements

Vendor: LAPL, a wholly-owned subsidiary of the Company
Purchaser: the PRC Shareholder

Assets to be disposed of

Shanghai J.V. is an indirect non wholly-owned subsidiary of the Company established under the laws of the PRC and is principally engaged in the packaging printing business. Shanghai J.V. is currently owned as to 51% by LAPL, as to 41% by the PRC Shareholder and 8% collectively by 上海紡織發展總公司 and 上海紡織對外經濟技術合作公司.

The results of Shanghai J.V. for the two years ended 31 December, 2001, which are incorporated in the Company's audited results for the two years ended 31 December, 2001, are set out as follows:

	For the year ended 31 December,	
	2000	2001
	HK\$'000	HK\$'000
Turnover	209,106	218,252
Profit before taxation	33,836	20,802
Profit attributable to shareholders	28,717	14,996

The unaudited net tangible assets of Shanghai J.V. as at 30 June, 2002 was approximately HK\$100 million.

Pursuant to the Agreements, LAPL has conditionally agreed to dispose of its 26% equity interest in Shanghai J.V. to the PRC Shareholder for an aggregate consideration of approximately RMB34 million. Immediately following the Disposal, the equity interest of LAPL in Shanghai J.V. will decrease from 51% to 25% whereas the equity interest of the PRC Shareholder in Shanghai J.V. will increase from 41% to 67%.

Consideration and Payment Terms

The aggregate consideration of approximately RMB34 million for the Disposal was arrived at after arm's length negotiations between the parties to the Agreements with reference to the net tangible assets as at 30 June, 2002 attributable to the 26% equity interest in Shanghai J.V. to be disposed of and LAPL's original cost of investment, as denominated in US\$, in Shanghai J.V.. Pursuant to the Agreements, the Consideration is payable to LAPL in cash by the PRC Shareholder in the following manner:

- approximately RMB27 million to be paid to LAPL's designated bank account in the PRC on or before 31 December, 2002 as deposit (the "Deposit");
- application to the relevant foreign exchange authorities in the PRC in relation to the remittance of the RMB27 million into a foreign currency to be advised by LAPL would be made within 60 days after the date of obtaining the approval from the relevant authorities in the PRC in relation to the Disposal and upon receipt of such approval from the relevant foreign exchange authorities in the PRC, LAPL will release the Deposit to the PRC Shareholder which will in turn remit the RMB27 million denominated in a foreign currency to be advised by LAPL to LAPL's designated bank account outside of the PRC on the same day; and
- an aggregate amount of RMB7 million payable to LAPL in three installments (RMB2.4 million by 31 March, 2004, RMB2.3 million by 31 March, 2005 and RMB2.3 million by 31 March, 2006).

The Directors consider that the consideration and payment terms for the Disposal to be fair and reasonable.

COMPLETION OF THE AGREEMENTS

Pursuant to the Agreements, Completion is subject to, among other things, the following conditions:

- application to the relevant authorities in the PRC in relation to the Disposal having been made on or before 30 November, 2002; and
- approval of the Agreements and the Disposal by the Disinterested Shareholders.

REASON FOR THE DISPOSAL AND USE OF THE PROCEEDS

The Group is principally engaged in the printing of books and magazines and printing of packaging products. In view of the severe competition in the PRC, the turnover of Shanghai J.V. has dropped by approximately 8% for the interim period ended 30 June, 2002. Together with the expiry of the tax benefit scheme previously enjoyed by Shanghai J.V., as from 31 December, 2001, the profit of Shanghai J.V. in 2002 is expected to decrease as compared to 2001. The Directors are of the view that the business environment of the cigarette packaging printing industry in Shanghai will remain difficult in the near future.

On the other hand, the turnover of one of the Group's core business, namely the Export and Children's Books Division, has posted an increase of approximately 6% for the interim period ended 30 June, 2002. Accordingly, the Directors consider that the Disposal not only allow the Group to re-focus its resources but also provide additional capital for the Group to strengthen its core operations of printing of books and magazines business, which the Directors believe will be beneficial to and in the best interest of the Group.

The proceeds from the Disposal will be used as working capital for investment into the Group's core operations of printing of books and magazines business.

GENERAL

Shanghai J.V. is owned as to 51% by LAPL, as to 41% by the PRC Shareholder and 8% collectively by 上海紡織發展總公司 and 上海紡織對外經濟技術合作公司. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules and the Disposal is subject to approval by the Disinterested Shareholders. The Company has obtained the written approval of the Disposal from United Rise Investments Limited, S.I. Holdings Limited and Randburg Limited, all being Disinterested Shareholders, which among them collectively hold approximately 56.4% of the issued Shares as at the date of this announcement. The Company considers United Rise Investments Limited, S.I. Holdings Limited and Randburg Limited to be a closely allied group of Shareholders. No Shareholder would be required to abstain from voting in any Shareholders' meeting of the Company to be convened for the purpose of considering the Disposal. In view of the above, the Company has made an application to and was granted by the Stock Exchange the Waiver from the requirement to convene a Shareholders' meeting in relation to the Disposal. Consequently, no Shareholders' meeting will be convened to consider and approve the Disposal.

A circular containing i) further details of the Agreements and the Disposal; ii) the recommendation from the independent board committee of the Company; and iii) the advice from an independent financial adviser to the independent board committee of the Company in relation to the Disposal, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this Announcement, unless the context requires otherwise, the following expressions have the following meanings:

"Agreements"	the conditional sales and purchase agreement and a memorandum of understanding, both dated 24 October, 2002, entered into between LAPL and the PRC Shareholder in respect of the Disposal
"Board"	board of Directors
"Company"	Leefung-Asco Printers Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
"Completion"	completion of the Disposal pursuant to the terms of the Agreements
"Consideration"	the aggregate consideration of approximately RMB34 million payable by the PRC Shareholder to LAPL pursuant to the Agreements
"Directors"	the directors of the Company
"Disinterested Shareholders"	Shareholders who do not have any interest in the Agreements
"Disposal"	the disposal of 26% equity interest in Shanghai J.V. to the PRC Shareholder by LAPL pursuant to the Agreements
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"LAPL"	Leefung-Asco Printers Limited, a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purposes of this announcement excludes Hong Kong
"PRC Shareholder"	上海紡印印刷包裝有限公司, a company established under the laws of the PRC and a substantial shareholder of Shanghai J.V.
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai J.V."	Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd., an indirect non wholly-owned subsidiary of the Company established under the laws of the PRC and is owned as to 51% by LAPL, as to 41% by the PRC Shareholder and 8% collectively by 上海紡織發展總公司 and 上海紡織對外經濟技術合作公司
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	the lawful currency of the United States of America
"Waiver"	a waiver application from the strict compliance with the requirements to convene a Shareholders' meeting as set out in Chapter 14 of the Listing Rules in respect of the Disposal

Hong Kong, 28 October, 2002

By Order of the Board
Lo Kin Cheung
Company Secretary