



LEEFUNG-ASCO PRINTERS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION AND ONGOING CONNECTED TRANSACTIONS

The Board announces that, on 28th February, 2002, pursuant to the Orders, the Company has, through the Shanghai J.V., a non-wholly owned subsidiary of the Company, sold the Goods to the Purchaser, an associate of a connected person of the Company. The aggregate consideration for the Goods was approximately RMB18.7 million (equivalent to approximately HK\$17.6 million).

As the Consideration is less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest published audited accounts of the Company, the transaction pursuant to the Orders falls under Rule 14.25(1) of the Listing Rules. The Company will include details of the Orders in its next published annual report and accounts.

The Board also announces that, on 7th March, 2002, the Company has, through the Shanghai J.V., entered into the Sales Agreement with the Purchaser. Pursuant to the Sales Agreement, the Shanghai J.V. has agreed to sell the Goods, from time to time, to the Purchaser for a term of three years from 1st January, 2002. The Sales will constitute ongoing connected transactions for the Company under the Listing Rules.

The Directors consider that the terms under the Orders are on normal commercial terms, in the ordinary and usual course of business of the Group and on terms no more favourable than those available to independent third parties.

The Company has applied to the Stock Exchange for the Waiver. The Waiver application will be subject to, inter alia, the approval of the Sales Agreement by the Shareholders at the SGM to be convened and held.

A circular containing, inter alia, (i) details of the Sales Agreement and the Waiver; (ii) the recommendations of the independent board committee of the Company in relation to the Sales Agreement; (iii) the advice of an independent financial adviser to the independent board committee of the Company in relation to the Sales Agreement; and (iv) a notice convening the SGM, will be despatched to Shareholders in due course.

THE ORDERS DATED 28TH FEBRUARY, 2002

Parties

- (i) the Shanghai J.V., a non-wholly owned subsidiary of the Company which is held as to 51% by the Company and as to 41% by the PRC Shareholder and 8% by 上海紡織發展總公司和上海紡織對外經濟技術合作公司.
- (ii) the Purchaser, a company established under the laws of the PRC. The PRC Shareholder holds 37% of the entire issued share capital of the Purchaser and the remaining 63% interest is indirectly held by the Customer which is an independent party.

Terms of the Orders

Under the Orders, the Shanghai J.V. has sold and the Purchaser has purchased the Goods at an aggregate consideration of approximately RMB18.7 million (equivalent to approximately HK\$17.6 million). The Consideration was based on arm's length negotiation and with reference to the prices offered by the Shanghai J.V. to other independent customers for similar amount and quality of Goods.

The Directors consider that the terms under the Orders are on normal commercial terms, in the ordinary and usual course of business of the Group and on terms no more favourable than those available to independent third parties. Notification has been made to the independent non-executive Directors regarding the Orders.

As the Consideration is less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest published audited accounts of the Company, the transaction falls under Rule 14.25(1) of the Listing Rules. The Company will include details of the Orders in its next published annual report and accounts.

THE SALES AGREEMENT DATED 7th March, 2002

Parties

- (i) the Shanghai J.V., a non-wholly subsidiary of the Company, which is held as to 51% by the Company and as to 41% by the PRC Shareholder and 8% by 上海紡織發展總公司和上海紡織對外經濟技術合作公司.
- (ii) the Purchaser, a company established under the laws of the PRC. The PRC Shareholder holds 37% of the entire issued share capital of the Purchaser, and the remaining 63% interest is indirectly held by the Customer which is an independent party.

Terms of the Sales Agreement

Under the Sales Agreement, the Shanghai J.V. has agreed to sell the Goods, from time to time, to the Purchaser. The parties will negotiate the price and payment terms for the Goods on an order-by-order basis, based on arm's length negotiation and with reference to the prices offered by the Shanghai J.V. to other independent customers for similar amount and quality of Goods.

The Sales Agreement shall have a term of three years from 1st January, 2002.

In light of the above, the Directors consider that the Sales are on normal commercial terms, in the ordinary and usual course of business of the Group and on terms no more favourable than those available to independent third parties.

The Cap Amounts

The aggregate total Sales for each financial year is subject to the Cap Amounts as follows:

Financial year ending	Cap Amount (RMB)
31st December, 2002	120,000,000 (approximately HK\$113.2 million)
31st December, 2003	132,000,000 (approximately HK\$124.5 million)
31st December, 2004	145,200,000 (approximately HK\$137.0 million)

The Cap Amount for the year ending 31st December, 2002 has been determined with reference to the approximately RMB119 million sales to the Customer in 2001 based on the Company's unaudited management accounts for the year ended 31st December, 2001. The Cap Amounts for the two years ending 31st December, 2004 were determined with reference to the Cap Amount for the year ending 31st December, 2002 and an annual increment of 10% which is in line with the annual growth rate of the sales to the Customer in the previous periods.

The Cap Amount for the financial year ending 31st December, 2002 represents approximately 11.1% of the total turnover of the Group for the year ended 31st December, 2001 based on the Company's unaudited management accounts.

Reasons for the Sales

One of the principal activities of the Customer is the manufacturing of tobacco products. The Customer also manufactures various types of packaging materials through its subsidiary, the Purchaser. Prior to the signing of the Sales Agreement, the Customer purchased the Goods from the Shanghai J.V. for its cigarette products. For the purpose of centralizing the manufacturing and purchases of packaging materials through the Purchaser, the Customer recently decided to purchase the Goods from the Shanghai J.V. through the Purchaser. Therefore, the Shanghai J.V. and the Purchaser entered into the Sales Agreement.

The Directors consider that the Sales are on normal commercial terms, in the ordinary and usual course of business of the Group and on terms no more favorable than those available to independent third parties. Notification has been made to the independent non-executive Directors regarding the Sales Agreement.

In light of the above, the Directors believe that the Sales is in the interest of the Group.

Relationship between the parties

The Shanghai J.V. is held as to 51% by the Company and as to 41% by the PRC Shareholder and 8% by 上海紡織發展總公司和上海紡織對外經濟技術合作公司. Since the PRC Shareholder holds approximately 37% of the entire issued share capital of the Purchaser, the Purchaser is hence an associate of a connected person of the Company under the Listing Rules and the Sales constitute ongoing connected transaction under the Listing Rules.

There are no connected transactions between the Group and the Customer save for a connected transaction between a subsidiary of the Customer and the Shanghai JV as announced in April of last year and pursuant to a circular of the Company dated 11 May, 2001.

Waiver Sought

The Sales constitute connected transactions under Rule 14.26 of the Listing Rules and are therefore subject to the disclosure requirements under the Listing Rules and the approval by the Shareholders for each of the Sales whenever they arise. As the Sales will be of a continuing nature during the Group's normal course of business, the Directors consider that it would not be practicable to make disclosures, and to seek Independent Shareholders' approval, in respect of such Sales on each occasion they arise. The Company has therefore applied to the Stock Exchange for the Waiver from strict compliance with the requirements as set out in Chapter 14 of the Listing Rules in respect of the Sales on each occasion they arise during the three financial years ending 31 December 2004, subject to the conditions set out below:

- (1) that the Sales shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
 - (iii) entered into either in accordance with the terms of the agreements or order contracts or other supplemental agreements governing such Sales;
- (2) the aggregate dollar amount of the Sales by the Group for each of the three financial years ending 31st December, 2004 shall not exceed the Cap Amounts as follows:

Financial year ending	Cap Amount (RMB)
31st December, 2002	120,000,000 (approximately HK\$113.2 million)
31st December, 2003	132,000,000 (approximately HK\$124.5 million)
31st December, 2004	145,200,000 (approximately HK\$137.0 million)

The Cap Amount for the year ending 31st December, 2002 has been determined with reference to the sales to the

Customer in 2001. The Cap Amounts for the two years ending 31st December, 2004 were determined with reference to the Cap Amount for the year ending 31st December, 2002 and an annual increment of 10% which is in line with the annual growth rate of the sales to the Customer in the previous periods.

- (3) the independent non-executive Directors shall review the Sales annually and confirm in the Company's next annual report that the Sales were conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the Company's auditors shall review the Sales annually and report in a letter to the Directors (the "Letter") (a copy of which shall be provided to the Listing Division) whether, based on the findings arising from these procedures:
 - (i) the Sales have received the approval of the Board;
 - (ii) the Sales have been entered into in accordance with the terms of the agreements or order contracts governing such Sales; and
 - (iii) the Cap Amount has been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Listing Division immediately;

- (5) details of the Sales in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for that financial year together with the statement of opinion of the independent non-executive Directors referred to in paragraph (3) above; and
- (6) the Company shall provide to the Stock Exchange an undertaking that, for so long as the Company's securities are listed on the Stock Exchange, it will provide the Company's auditors with full access to its relevant records, and where required by the Company's auditors, will use its best efforts to procure the Purchaser to provide the Company's auditors with access to the relevant records relating to the Sales, for the purpose of the auditors' review of the Sales referred to in paragraph (4) above.

If any terms of the Sales as mentioned above are altered in the future or the conditions of the Waiver (if granted by the Stock Exchange) are not met, the Company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

Unless a separate Waiver is obtained, any Sales after year 2004, will be subject to the requirements under Chapter 14 of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of the grant of the Waiver from the Stock Exchange on transactions of the kind to which the Sales belong including, but not limited to, a requirement that such transactions be made conditional on approval by the Independent Shareholders, the Company must take immediate steps to ensure compliance with such requirements within a reasonable time.

GENERAL

The Sales constitute ongoing connected transactions of the Company under Rule 14.26 of the Listing Rules and should be disclosed in accordance with the Listing Rules and made conditional upon approval by the Shareholders for each of the Sales whenever they arise.

As indicated above, the Company has applied to the Stock Exchange for the Waiver and, as a condition of the Waiver, will convene the SGM to seek the approval of the Shareholders with respect to such Sales in due course.

A circular containing, inter alia, (i) details of the Sales Agreement and the Waiver; (ii) the recommendations of the independent board committee of the Company in relation to the Sales Agreement; (iii) the advice of an independent financial adviser to the independent board committee of the Company in relation to the Sales Agreement; and (iv) a notice convening the SGM will be despatched to Shareholders in due course.

DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Cap Amount(s)"	the maximum amount of Sales for the three financial years ending 31st December, 2004
"Company"	Leefung-Asco Printers Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
"Consideration"	the aggregate consideration of approximately RMB18.7 million (equivalent to approximately HK\$17.6 million) payable by the Purchaser to the Shanghai J.V. pursuant to the Orders
"Customer"	a customer of the Shanghai J.V. which is independent of and not connected with the directors, substantial shareholders and chief executives of the Group, and their respective associates
"Directors"	the directors of the Company
"Goods"	packaging material for tobacco
"Group"	the Company and its subsidiaries
"HK\$" / "Hong Kong"	Hong Kong dollars / the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Division"	the listing division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Orders"	the sales orders for the Goods dated 28th February, 2002 between the Shanghai J.V. and the Purchaser
"Purchaser"	上海金葉包裝材料有限公司, a company established under the laws of the PRC and is owned as to 37% by the PRC Shareholder and 63% by the Customer
"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 the Shanghai J.V.
"Sales Agreement"	the sales agreement dated 7th March, 2002 between the Shanghai J.V. and the Purchaser in respect of the Sales, for an initial term of up to 31st December, 2004
"Sales"	the sales of Goods by the Shanghai J.V. to the Purchaser, from time to time, pursuant to the Sales Agreement
"SGM"	the special general meeting of the Company to be convened and held for approving the transactions contemplated under the Sales Agreement
"Shanghai J.V."	Shanghai Fang Yin Leefung-Asco Printing and Packing Co. Ltd., a non-wholly owned subsidiary of the Company established under the laws of the PRC and is owned as to 51% by the Company, 41% by the PRC Shareholder and 8% by 上海紡織發展總公司和上海紡織對外經濟技術合作公司 which are independent of the Company.
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Waiver"	a waiver application from the strict compliance with the requirements as set out in Chapter 14 of the Listing Rules in respect of the Sales

Hong Kong, 7th March, 2002

By Order of the Board
Lo Kin Cheung
Company Secretary