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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)

**MAJOR TRANSACTION INVOLVING
ACQUISITION OF 60% EQUITY INTEREST IN
YAU YUE PAPER PRODUCTS LIMITED**

Financial adviser to SNP Leefung Holdings Limited



The Board is pleased to announce that on 18 March 2005, the Company, the Vendors and the Warrantors entered into the Acquisition Agreement pursuant to which, among other things, the Vendors conditionally agreed to sell and the Company conditionally agreed to purchase or procure the purchase of the Sale Shares, representing 60% of the issued share capital of Yau Yue, for an aggregate cash consideration of HK\$68.4 million. The consideration will be fully satisfied in cash. The consideration has been agreed by the parties after arm's length negotiation and represents a price earnings multiple of approximately 5.1 times of the yearly average audited net profit of Yau Yue for the three years ended 31 March 2004.

On Completion, Yau Yue shall repay to the Vendors 60% of the Shareholders' Loan less the Deduction, if any, and less any amounts owing from the Vendors and/or the Warrantors to Yau Yue as at the date of Completion. The amount of the Shareholders' Loan and the total amount owing from the Vendors and/or the Warrantors to Yau Yue as at the date of this announcement (both of which are unaudited) are approximately HK\$20.2 million and HK\$1.8 million respectively.

On Completion, the Company shall procure that a shareholders' loan of an amount equal to 60% of the Shareholders' Loan less the Deduction, if any, and less any amounts owing from the Vendors and/or the Warrantors to Yau Yue as at the date of Completion shall be made to Yau Yue.

Keep Happy, Winter Stars and the Warrantors have undertaken to the Company that in the event that the aggregate Net Profit for the Relevant Period shall be less than HK\$60 million, Keep Happy and Winter Stars will pay to the Company an amount equal to 60% of the shortfall provided that the amount to be paid by Keep Happy and Winter Stars in total shall not exceed HK\$68.4 million less 60% of the audited net asset value of Yau Yue as at 31 December 2007.

Pursuant to the Acquisition Agreement, the Vendors have granted to the Company the option to require the Vendors to sell, and the Company has granted to the Vendors the option to require the Company to purchase, their remaining shareholding interest in Yau Yue (excluding the Sale Shares) (which shall not be less than 40% of the issued share capital of Yau Yue) on terms as set out in the paragraph headed “The Options” below.

Yau Yue is principally engaged in the production of corrugated box and sheets in the People’s Republic of China.

The Acquisition together with the acceptance of the Call Option and the grant of the Put Option constitute a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders’ approval has been obtained from SNP Corporation Ltd, a Shareholder who as at the date of this announcement holds 282,343,988 Shares or approximately 70.11% in nominal value of the Shares giving the right to attend and vote at a general meeting of the Company to approve the Acquisition Agreement, the Acquisition, the acceptance of the Call Option and the grant of the Put Option, and such written shareholders’ approval is accepted in lieu of holding a general meeting. A circular containing, among other things, details of the Acquisition Agreement will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that Completion, which is subject to a number of conditions, may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 18 March 2005, the Company, the Vendors and the Warrantors entered into the Acquisition Agreement pursuant to which, among other things, (i) the Vendors conditionally agreed to sell and the Company conditionally agreed to purchase or procure the purchase of the Sale Shares, representing 60% of the issued share capital of Yau Yue, for an aggregate cash consideration of HK\$68.4 million; and (ii) the Vendors have granted to the Company the Call Option and the Company has granted to the Vendors the Put Option on terms as set out in the paragraph headed “The Options” below.

THE ACQUISITION AGREEMENT

Date

18 March 2005

Parties

Vendors: Keep Happy, Winter Stars and Ms. Zhang. As at the date of this announcement, Keep Happy is beneficially and wholly owned by Mr. Kwong Chi Kin and Winter Stars is beneficially and wholly owned by Mr. Kwong Chi Keung. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of Keep Happy, Winter Stars and their respective beneficial owners and Ms. Zhang is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company. Keep Happy and Winter Stars are investment holding companies.

As at the date of this announcement, Keep Happy, Winter Stars and Ms. Zhang are interested in 61.75%, 33.25% and 5% of the issued share capital of Yau Yue respectively.

Purchaser: the Company

Warrantors: Mr. Kwong Chi Keung and Mr. Kwong Chi Kin

Assets to be acquired

2,640,000 ordinary shares of HK\$1.00 each in the capital of Yau Yue, representing 60% of the issued share capital of Yau Yue

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares is HK\$68.4 million, to be shared between the Vendors in accordance with the percentage of their shareholding interest to be sold to the Company. The consideration has been agreed by the parties after arm's length negotiation. In arriving at the consideration, the Directors have considered factors including the historic financial results, net asset backing and business prospects of Yau Yue. The audited net profit of Yau Yue for the year ended 31 March 2002, 2003 and 2004 was approximately HK\$12.1 million, HK\$22.7 million and HK\$31.9 million respectively. The consideration represents a price earnings multiple of approximately 5.1 times of the yearly average audited net profit of Yau Yue for the three years ended 31 March 2004 of approximately HK\$22.2 million. The Directors consider that the historic price earnings multiple of approximately 5.1 times derived from the consideration reasonable given that the shares of the Company, which is also a printing company, are currently traded at a historic price earnings multiple of approximately 11 times.

The consideration will be fully satisfied in cash by drawing down on part of the Group's unutilized banking facilities.

Immediately after the signing of the Acquisition Agreement, the Company has paid a refundable deposit of HK\$6.84 million which has been placed into an escrow account maintained by the Company's solicitors. The deposit and an amount of HK\$51.56 million shall be paid to the Vendors at Completion. The Company shall withhold an amount of HK\$10 million from the consideration payable to the Vendors by placing such amount with the Company's solicitors to be held in escrow as security for their obligations under the profit undertaking. Such amount will be released to the Vendors immediately upon the provision by the Vendors of a bank guarantee in favour of the Company in the same amount.

On Completion, Yau Yue shall repay to the Vendors 60% of the Shareholders' Loan less the Deduction, if any, and less any amounts owing from the Vendors and/or the Warrantors to Yau Yue as at the date of Completion. The amount of the Shareholders' Loan and the total amount owing from the Vendors and/or the Warrantors to Yau Yue as at the date of this announcement (both of which are unaudited) are approximately HK\$20.2 million and HK\$1.8 million respectively. The Directors do not expect any significant increase in the Shareholders' Loan at Completion given the entering into the Acquisition Agreement by the Vendors to dispose of 60% interest in Yau Yue.

On Completion, the Company shall procure that a shareholders' loan of an amount equal to 60% of the Shareholders' Loan less the Deduction, if any, and less any amounts owing from the Vendors and/or the Warrantors to Yau Yue as at the date of Completion shall be made to Yau Yue.

Conditions

Completion is conditional upon the following conditions:

- (a) the approval by the Shareholders of the Acquisition Agreement, the purchase of the Sale Shares, the acceptance of the Call Option and the grant of the Put Option, at a duly convened special general meeting (if necessary) or the obtaining of a written approval from SNP Corporation Ltd, being acceptable to the Stock Exchange, in lieu of holding a general meeting;
- (b) the Company undertaking a due diligence investigation in respect of Yau Yue including but not limited to the affairs, business, assets, results, legal and financing structure of Yau Yue and the Company being satisfied with the results of such due diligence investigation;
- (c) no event having occurred since the date of the Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Yau Yue and such material adverse effect shall not have been caused;
- (d) the Company being satisfied that Yau Yue has no subsidiaries or interest in any other company and that its former subsidiary has been validly and effectively disposed of by Yau Yue;
- (e) the Company having despatched a circular to its shareholders in connection with the transaction contemplated in the Acquisition Agreement as required under Chapter 14 of the Listing Rules; and
- (f) the warranties given by Keep Happy, Winter Stars and the Warrantors in the Acquisition Agreement, which relate to, among others, the business and operations, properties, accounts, taxation, litigation and financial matters of Yau Yue, remaining true and accurate and not misleading at Completion and at all times between the date of the Acquisition Agreement and Completion.

If any of the above conditions have not been fulfilled or waived by the Company (other than condition (a) which may not be waived) on or before 30 June 2005 (or such other date as the parties may agree), the Acquisition Agreement shall terminate.

Subject to the fulfillment (or waiver) of the conditions on or before 30 June 2005 (or such other date as the parties may agree), Completion shall take place on the fifth business day after all the conditions have either been fulfilled or waived or at such other time as the parties shall agree.

Profit undertaking

Keep Happy, Winter Stars and the Warrantors have jointly and severally undertaken to the Company that in the event that the aggregate Net Profit for the Relevant Period shall be less than HK\$60 million ("Attained Lower Profit"), Keep Happy and Winter Stars will pay to the Company an amount equal to 60% of the shortfall of the Attained Lower Profit bears to HK\$60 million provided that the amount to be paid by Keep Happy and Winter Stars in total shall not exceed HK\$68.4 million less 60% of the audited net asset value of Yau Yue as at 31 December 2007.

The Options

The Vendors have granted to the Company the option to require the Vendors to sell to the Company the Call Option Shares (which shall not be less than 40% of the issued share capital of Yau Yue) at an aggregate consideration (“Call Option Consideration”) of (i) if the aggregate Net Profit for the Relevant Period is not less than HK\$30 million, 40% of a price earnings multiple of 6 times on the yearly average Net Profit for the Relevant Period or 40% of the audited net asset value of Yau Yue (ex-Dividend) as at 31 December 2007 (whichever is the higher); or (ii) if the aggregate Net Profit for the Relevant Period is less than HK\$30 million, 40% of a price earnings multiple of 6 times on the yearly average Net Profit for the period from 1 January 2005 to 31 December 2008 or 40% of the audited net asset value of Yau Yue (ex-Dividend) as at 31 December 2008 (whichever is the higher). The price earnings multiple of 6 times used for determining the Call Option Consideration has been agreed among the parties after arm’s length negotiation. The Directors consider that such price earnings multiple is reasonable given the fact that by having the Call Option, the Company is able to lock in the pricing mechanism for the purchase of the remaining 40% interest in Yau Yue, which may only take place in 3 or 4 years’ time.

The Call Option may be exercised only in whole by the Company in writing to the Vendors (i) within one month after the publication by the Company of its audited consolidated accounts for the year ending 31 December 2007 provided that the aggregate Net Profit for the Relevant Period is not less than HK\$30 million; or (ii) within one month after the publication by the Company of its audited consolidated accounts for the year ending 31 December 2008 if the aggregate Net Profit for the Relevant Period is less than HK\$30 million.

The Company has also granted to the Vendors the option to require the Company to purchase all the Put Option Shares (which shall not be less than 40% of the issued share capital of Yau Yue) at an aggregate consideration of an amount equal to a 20% discount on 40% of the audited net asset value (ex-Dividend) of Yau Yue as at 31 December 2008. Given that the Put Option is exercised at the discretion of the Vendors, the Directors consider it appropriate to build in some protection for the Company and accordingly the consideration for the purchase of the Put Option Shares is set at a 20% discount on the net asset value of Yau Yue.

The Put Option may be exercised only in whole by the Vendors collectively if the Net Profit for the Relevant Period is less than HK\$30 million and only in writing to the Company within one month after the publication by the Company of its audited consolidated accounts for the year ending 31 December 2008.

If the aggregate Net Profit for the Relevant Period exceeds HK\$60 million, then upon completion of the sale and purchase of the Call Option Shares, the Company shall pay to the Vendors an additional aggregate sum equal to 5% of the Call Option Consideration.

A notice of exercise of the Call Option shall be deemed to have been served by the Company if either (i) the aggregate Net Profit for the Relevant Period is more than HK\$30 million; or (ii) the aggregate Net Profit for the period from 1 January 2005 to 31 December 2008 is more than HK\$40 million, each as determined by Yau Yue’s auditors. In the event that the aggregate Net Profit for the Relevant Period is less than HK\$30 million and the aggregate Net Profit for the period from 1 January 2005 to 31 December 2008 is less than HK\$40 million, the Company has the discretion to determine whether to exercise the Call Option.

The Put Option shall only be exercisable if the Call Option has not been exercised at the relevant time and vice versa.

Completion of the sale and purchase of the Call Option Shares pursuant to the exercise of the Call Option or the sale and purchase of the Put Option Shares pursuant to the exercise of the Put Option, as the case may be, is subject to compliance by the Company with all relevant rules of the Listing Rules relating to such exercise. The Company will comply with Chapter 14 of the Listing Rules if the Call Option or the Put Option is exercised.

INFORMATION ON YAU YUE

Yau Yue is incorporated in Hong Kong with limited liability on 8 January 1988. Yau Yue is principally engaged in the production of corrugated box and sheets in the People's Republic of China. The principal assets of Yau Yue are trade receivables, plant and machinery and inventories for the operation of its business. Yau Yue is owned as to 61.75%, 33.25% and 5% by Keep Happy, Winter Stars and Ms. Zhang respectively as at the date of this announcement.

The audited net asset value of Yau Yue was approximately HK\$47.3 million and HK\$35.6 million as at 31 March 2004 and 31 March 2003 respectively. The following table shows the audited results of Yau Yue for the two years ended 31 March 2004:

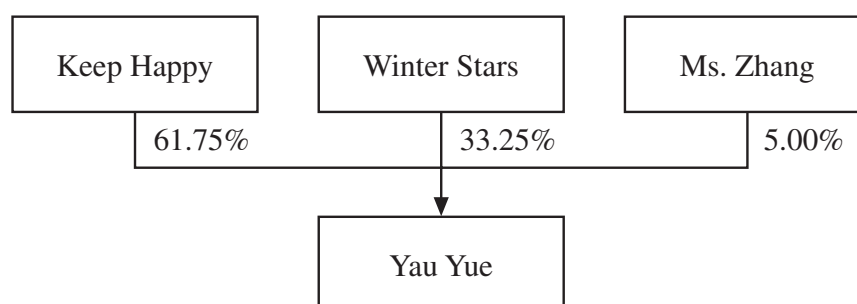
	For the year ended 31 March 2004 (Audited) HK\$'million	For the year ended 31 March 2003 (Audited) HK\$'million
Turnover	261.9	227.3
Profit before taxation	34.3	24.9
Profit after taxation	31.9	22.7

Upon Completion, the Company will be interested in 60% of the issued share capital of Yau Yue and Yau Yue will become a subsidiary of the Company. Accordingly, the results of Yau Yue will be consolidated into the accounts of the Company so long as Yau Yue remains a subsidiary of the Company.

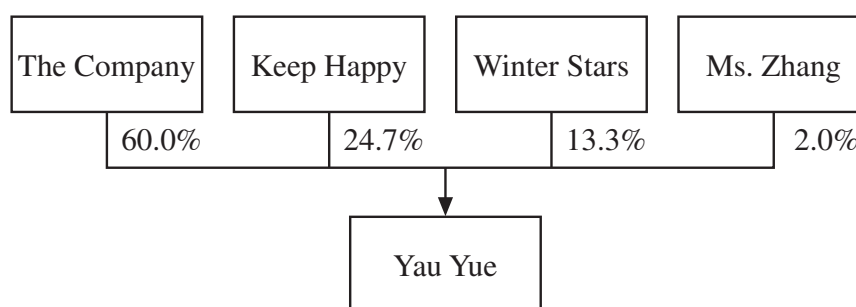
SHAREHOLDING STRUCTURE OF YAU YUE

The following diagrams illustrate the shareholding structure of Yau Yue as at the date of this announcement and immediately after Completion:

As at the date of this announcement



Immediately after Completion (before exercise of the Options)*



* Assuming no other changes to the issued share capital of Yau Yue and the shareholding structure in Yau Yue from the date of this announcement to Completion, other than pursuant to the transactions contemplated by the Acquisition Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the printing of books, magazines, packaging products and pop-up and touch-and-feel books.

With the profitable track record of Yau Yue and its expertise in the packaging industry, the Directors consider that the Acquisition will allow the Group to leverage on the strengths of Yau Yue and benefit from the synergies achieved through the Acquisition. The Directors are of the view that the Acquisition will enable the Group to consolidate its packaging printing business by improving its operating efficiency and market competitiveness arising from economy of scale and leveraging on the brand name of Yau Yue in the corrugated paper industry. The Directors also consider that the Acquisition will enhance the earning base of the Group, thereby bringing better return to the Shareholders.

The Directors consider that the entering into of the Acquisition Agreement is in the interest of the Shareholders as a whole and that the terms of the Acquisition Agreement are fair and reasonable.

GENERAL

The Acquisition together with the acceptance of the Call Option and the grant of the Put Option constitute a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules. As no Shareholder is required to abstain from voting on the resolution to approve the Acquisition Agreement, the Acquisition, the acceptance of the Call Option and the grant of the Put Option, and a written shareholders' approval has been obtained from SNP Corporation Ltd, a Shareholder who as at the date of this announcement holds 282,343,988 Shares or approximately 70.11% in nominal value of the Shares giving the right to attend and vote at a general meeting of the Company to approve the Acquisition Agreement, the Acquisition, the acceptance of the Call Option and the grant of the Put Option, the conditions stipulated under Rule 14.44 (1) and (2) of the Listing Rules are fulfilled. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of Shareholders will be held in this regard and the written shareholders' approval as aforementioned is accepted in lieu of holding a general meeting.

A circular containing, among other things, details of the Acquisition Agreement will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that Completion, which is subject to a number of conditions, may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 18 March 2005 entered into between the Company, the Vendors and the Warrantors in relation to, among other things, the Acquisition and the Options
“Board”	the board of Directors
“business day”	a day (not being a Saturday or days on which a typhoon signal no. 8 or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“Call Option”	the option granted by the Vendors to the Company pursuant to the Acquisition Agreement entitling the Company the right to require the Vendors to sell the Call Option Shares
“Call Option Shares”	ordinary shares representing the remaining shareholding interest in Yau Yue (excluding the Sale Shares) held by the Vendors that may be acquired by the Company upon exercise of the Call Option, which in any event shall not be less than 40% of the issued share capital of Yau Yue
“Company”	SNP Leefung Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Acquisition Agreement
“Deduction”	the shortfall of the audited net asset value of Yau Yue as at 31 December 2004 that bears to HK\$57.8 million, which amount shall be deducted from the Shareholders’ Loan on a dollar for dollar basis and which shall be deemed irrevocably and unconditionally waived by the Vendors
“Directors”	directors of the Company
“Dividend”	the aggregate Net Profit for the Relevant Period or (if the aggregate Net Profit for the Relevant Period is less than HK\$30 million) for the period from 1 January 2005 to 31 December 2008, which amount shall be declared as dividend and be payable to the Company and the Vendors proportional to their shareholding interest at the time
“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
“Keep Happy”	Keep Happy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is beneficially owned by Mr. Kwong Chi Kin
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Zhang”	Ms. Zhang Li Fang
“Net Profit”	the audited net profit after taxation of Yau Yue and excluding extraordinary items, any amounts received or written back for debt or any other provisions, which shall be calculated by reference to the prevailing generally accepted accounting principles in Hong Kong and adopted by Yau Yue
“Options”	collectively the Call Option and the Put Option
“Put Option”	the option granted by the Company to the Vendors pursuant to the Acquisition Agreement entitling the Vendors the right to require the Company to purchase the Put Option Shares
“Put Option Shares”	ordinary shares representing the remaining shareholding interest in Yau Yue (excluding the Sale Shares) held by the Vendors that may be sold to the Company upon exercise of the Put Option, which in any event shall not be less than 40% of the issued share capital of Yau Yue
“Relevant Period”	the period from 1 January 2005 to 31 December 2007
“Sale Shares”	2,640,000 ordinary shares of HK\$1.00 each in the capital of Yau Yue, representing 60% of the issued share capital of Yau Yue
“Shares”	ordinary shares of HK\$1.00 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Shareholders’ Loan”	the amount owing by Yau Yue to its shareholders as at the date of Completion, the aggregate amount of which is approximately HK\$20.2 million as at 18 March 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively Keep Happy, Winter Stars and Ms. Zhang
“Warrantors”	Mr. Kwong Chi Keung and Mr. Kwong Chi Kin

“Winter Stars”

Winter Stars Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is beneficially owned by Mr. Kwong Chi Keung

“Yau Yue”

Yau Yue Paper Products Limited, a company incorporated in Hong Kong with limited liability

By order of the Board

Yeo Chee Tong

Executive Director and Chief Executive Officer

Hong Kong, 18 March 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 three independent non-executive Directors, being Mr. Cheng Wai Wing, Edmund, Mr. John Robert Walter and Mr. Lai Ming, Joseph.

* *for identification purposes only*

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