

**LEE AND MAN PAPER MANUFACTURING LTD:
IT'S BIG, ITS AGGRESSIVE, ITS PROFITABLE,
BUT IT'S STILL A PAPA-AND-SON COMPANY**

The most frightening aspect of the flotation of Lee and Man Paper Manufacturing Ltd (Code: 2314, Main Board, The Stock Exchange of Hongkong Ltd) was the huge mountain of debt, hanging over that Company's proverbial head, as at the date of its flotation.

Lee and Man Paper went public on September 16, 2003, with total borrowings of about \$HK1,353,000,000, as at July 31, 2003, of which figure, about \$HK883,799,220 had been afforded the Company by virtue of an interest-free, shareholder's loan.

The Shareholder's loan came from the Founder and Chairman, Mr Patrick Lee Wan Keung.

Considering that the 2003 Turnover of this Company was about \$HK1,028,406,000, the borrowings of Lee and Man Paper, during that Financial Year, ended March 31, 2003, represented about 32 percent more than the entire volume of activity within this Group of Companies.

The private company, which has, in the past, been funding this producer of containerboard products in the People's Republic of China (PRC), was Gold Best Holdings Ltd, a company, domiciled in the British Virgin Islands, beneficially owned by Messrs Patrick Lee Wan Keung and Raymond Lee Man Chun, the Chairman and Managing Director of Lee and Man Paper, respectively.

Lee and Man Paper pitched its story to prospective investors in a Global Offering of 187.50 million, 10-cent Shares at a Premium of not more than \$HK4.50 per Share, of which number of shares, 168.75 million Shares were Placed and 18.75 million Shares were that part of the flotation that was made available on application by prospective investors.

The Public Offer part of this float was about 16.80 times over-subscribed with the Offer Price, being fixed at \$HK4.17 per Share.

As for the Placing part of the float, it was about 7.50 times over-subscribed.

In short, the underwriters and promoters of this Company appeared to have done a bang-up job in seeing this Company off to a great start on the Main Board of The Stock Exchange of Hongkong Ltd, last September.

The Lee and Man Paper Prospectus, at Page 110, stated that the Company had assumed an Offer Price of \$HK3.92 per Share, which would rake in about \$HK704 million, net of expenses, that amount of money to be used for the following purposes:

1. \$HK340 million for capital expenditure in respect of a new plant, to be located in the PRC, proper (as opposed to the Hongkong Special Administrative Region (HKSAR) of the PRC);
2. \$HK60 million to fund the Company's working capital requirements in respect of the new plant, mentioned in Point Number One;

3. \$HK200 million to retire some of the Company's heavy debt load; and,

4. \$HK104 million for General Working Capital requirements.

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