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理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS DUE 2011

This announcement is made pursuant to the Company's disclosure obligation under Rule 13.09 of the Listing Rules.

Reference is made to the Company's announcement date 21 December 2005 in relation to its proposed issue of Convertible Bonds with an aggregate principal amount of HK$1,000 million (including Convertible Bonds in an aggregate principal amount of HK$200 million to be issued pursuant to the Increased-Issue Option which was exercised by Deutsche Bank in full on 20 December 2005). As described in that announcement, the Company has applied for the listing of the Convertible Bonds on the Stock Exchange. An information memorandum in relation to the Convertible Bonds has been prepared which discloses information that has not previously been published to the Shareholders and is therefore disclosed in this announcement.

This announcement is made pursuant to the Company's disclosure obligation under Rule 13.09 of the Listing Rules.

An information memorandum in respect of the proposed issue of the Convertible Bonds has been prepared for distribution to professional investors outside the United States and certain professional investors in Hong Kong. Since the information memorandum discloses information which has not been previously published publicly, extracts of such information from the information memorandum are set out below.

FURTHER EXPANSION PLAN

The Group plans to construct a new factory in Chongqing and to acquire its ninth paper machine ("Paper Machine IX") which will be installed in the new factory. It is expected that Paper Machine IX will have a linerboard capacity of approximately 300,000 metric tonnes per year and will commence operations in the second half of 2007. The Group's estimated capital expenditure for Paper Machine IX, including acquisition costs of the machine, and costs of the site of the Chongqing factory and construction costs, is approximately HK$750 million. Paper Machine IX is targeted to supply containerboard to industrial customers surrounding Chongqing and in Sichuan Province that focus mainly on the domestic market.

The Group recently entered into a land grant contract with local government in respect of the site of the factory and is applying for the applicable licences and approvals from the relevant government authorities. No contract or agreement has been signed with any potential vendor of the machine. There is no assurance that the Group will be able to conclude negotiations for the machine acquisition contract and obtain all relevant government approvals at all or on terms favourable to the Group and complete the construction of the Chongqing factory and the installation of the paper machine according to its planned schedule.

INDEBTEDNESS

As at 30 November 2005, the Company's unaudited consolidated bank and other borrowings – current and non-current portions amounted to HK$1,668.0 million and HK$94.6 million, respectively.

CERTAIN REVISIONS TO THE COMPANY'S PUBLISHED CONSOLIDATED INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005 DATED 7 NOVEMBER 2005

The following tables contain financial information extracted from the Company's unaudited consolidated interim accounts for the six months ended 30 September 2005 which are set out in the Information Memorandum dated 12 January 2006 (the "Revised Accounts") and have been reviewed by Deloitte Touche Tohmatsu, certified public accountants. This differs from the unaudited consolidated interim accounts published on 7 November 2005 (the "Published Accounts") in certain technical respects relating to the classification of certain assets and liabilities of the Group. The results of operations and net asset value of the Group as at and for the six months ended 30 September 2005 (as stated in the Published Accounts) have not been affected and remain the same.

* *For identification purpose only*

EXTRACTS FROM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2005

	As at 30 September 2005	
	Stated in Revised Accounts (unaudited) *HK$'000*	**Stated in Published Accounts (unaudited)** *HK$'000*
NON-CURRENT ASSETS		
Prepaid lease payments – non-current portion *(Note 1)*	**85,228**	**DID NOT APPEAR**
Land use rights *(Note 1)*	**DID NOT APPEAR**	**87,196**
CURRENT ASSETS		
Deposits, prepayments and other receivables *(Note 2)*	**516,146**	**174,138**
Prepaid lease payments – current portion *(Note 1)*	**1,968**	**DID NOT APPEAR**
CURRENT LIABILITIES		
Secured bank borrowings *(Note 2)*	**342,008**	**DID NOT APPEAR**
NET CURRENT (LIABILITIES) ASSETS	**(87,484)**	**(89,452)**
CAPITAL AND RESERVES (NET ASSETS)	**3,199,138**	**3,199,138**

Note 1: In the Published Accounts "Land Use Rights" appeared as a line item in non-current assets. In the Revised Accounts it appears as "Prepaid Lease Payments – Non-current portion" and "Prepaid Lease Payments – Current Portion".

Note 2: In the Published Accounts, the Company derecognised certain financial assets (trade bills) to banks, which have been recognised in the Revised Accounts.

EXTRACTS FROM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September 2005	
	Stated in Revised Accounts (unaudited) *HK$'000*	**Stated in Published Accounts (unaudited)** *HK$'000*
Net cash (used in) generated from operating activities *(Note 3)*	**(121,961)**	**220,047**
Net cash generated from financing activities *(Note 3)*	**756,917**	**414,909**
Net decrease in cash and cash equivalents	**(1,009)**	**(1,009)**

Note 3: During the current period, the Group discounted certain financial assets (trade bills) to banks and the differences arise due to implementation of accounting standards HKAS39.

Discounting trade bills to banks is a common practice in the containerboard manufacturing industry. Historically the Company has not encountered any significant problems in collecting trade bills from customers. In the Published Accounts the Company derecognised HK$342,008,000 of bills receivable discounted with full recourse.

Under HKAS 39, "Financial Investments: Recognition and Measurement" a financial asset is derecognised when, and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests.

The Company has been subsequently advised by its auditors that as a result of the implementation of HKAS 39 (which became applicable to the Company for the first time for accounting periods on or after 1 April 2005), certain items in the Published Accounts should have been classified differently as reflected above.

In the Revised Accounts, the Company's bills receivable discounted with full recourse of HK$342,008,000 have been recognised under deposits, prepayments and other receivables and the related borrowings of HK$342,008,000 have been recognised under secured bank borrowings.

This change in accounting policy has no effect on the results for the six months ended 30 September 2005 and the net assets as at 30 September 2005 (as stated in the Published Accounts).

The Company adopted the new HKAS 17 "Leases" in relation to the accounting treatment of owner-occupied leasehold land and buildings and prepaid lease payments under operating leases, with effect from 1 April 2005. This change in accounting policy has been applied retrospectively, which resulted in a decrease in property, plant and equipment of HK$86,517,000 and a corresponding increase in prepaid lease payments of HK$86,517,000 as at 31 March 2005. The audited consolidated balance sheet of the Company as at 31 March 2005 has been restated below for comparative purposes.

REVISED CONSOLIDATED INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005 EXTRACTED FROM THE INFORMATION MEMORANDUM

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		Six months ended 30 September	
		2005	2004
		(unaudited)	(unaudited)
	NOTES	***HK$'000***	*HK$'000*
Turnover	*2*	**1,869,320**	1,257,701
Cost of sales		**(1,489,600)**	(988,001)
Gross profit		**379,720**	269,700
Other operating income		**43,136**	3,114
Distribution costs		**(29,153)**	(21,961)
Administrative expenses		**(60,877)**	(49,699)
Profit from operations	*3*	**332,826**	201,154
Interest on bank borrowings wholly repayable within five years		**(19,321)**	(4,036)
Profit before taxation		**313,505**	197,118
Taxation	*4*	**(4,155)**	(2,830)
Profit for the period		**309,350**	194,288
Interim dividend		**–**	–
Earnings per share	*5*		
– Basic		**32.11 cents**	20.31 cents
– Diluted		**31.99 cents**	20.22 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2005

		30 September 2005 (unaudited)	31 March 2005 (audited and restated)
	NOTES	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*6*	**2,754,596**	2,497,776
Prepaid lease payments – non-current portion		**85,228**	84,586
Deposits paid on acquisition of property, plant and equipment		**554,577**	148,174
Deferred tax assets		**10,033**	8,860
		3,404,434	2,739,396
CURRENT ASSETS			
Inventories	*7*	**512,378**	548,364
Trade and bills receivable	*8*	**651,060**	504,649
Notes receivable		**–**	26,643
Deposits, prepayments and other receivables	*9*	**516,146**	207,731
Prepaid lease payments – current portion		**1,968**	1,931
Retirement benefit assets		**1,320**	1,320
Amount due from a related company		**6,516**	612
Taxation recoverable		**–**	92
Pledged bank deposits		**–**	1,055
Bank balances and cash		**80,591**	81,600
		1,769,979	1,373,997

CURRENT LIABILITIES			
Trade and bills payable	*10*	**112,361**	97,762
Accruals and other payables		**150,648**	192,253
Taxation payable		**12,753**	12,730
Unsecured bank borrowings – due within one year		**1,239,693**	618,474
Secured bank borrowings	*11*	**342,008**	–
		1,857,463	921,219
NET CURRENT (LIABILITIES) ASSETS		**(87,484)**	452,778
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,316,950**	3,192,174
NON-CURRENT LIABILITY			
Unsecured bank borrowings – due after one year		**117,812**	150,713
		3,199,138	3,041,461
CAPITAL AND RESERVES			
Share capital	*12*	**96,338**	96,338
Reserves		**3,102,800**	2,945,123
		3,199,138	3,041,461

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash (used in) generated from operating activities	**(121,961)**	70,040
Net cash used in investing activities	**(635,965)**	(464,683)
Net cash generated from financing activities	**756,917**	104,518
Net decrease in cash and cash equivalents	**(1,009)**	(290,125)
Cash and cash equivalents brought forward	**81,600**	351,718
Cash and cash equivalents carried forward represented by bank balances and cash	**80,591**	61,593

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital *HK$'000* (unaudited)	**Share premium** *HK$'000* (unaudited)	**Translation reserve** *HK$'000* (unaudited)	**Special reserve** *HK$'000* (unaudited)	**Accumulated profits** *HK$'000* (unaudited)	**Total** *HK$'000* (unaudited)
At 1 April 2005	96,338	1,846,628	19,463	(2,999)	1,082,031	3,041,461
Exchange differences arising from translation of financial statements of overseas operations	–	–	21,736	–	–	21,736
Profit for the period	–	–	–	–	309,350	309,350
Dividend paid	–	–	–	–	(173,409)	(173,409)
At 30 September 2005	96,338	1,846,628	41,199	(2,999)	1,217,972	3,199,138
At 1 April 2004	84,053	1,042,438	19,463	(2,999)	760,443	1,903,398
Issue of shares	12,102	801,923	–	–	–	814,025
Exchange differences arising from translation of financial statements of overseas operations	–	–	747	–	–	747
Profit for the period	–	–	–	–	194,288	194,288
Dividend paid	–	–	–	–	(96,155)	(96,155)
At 30 September 2004	96,155	1,844,361	20,210	(2,999)	858,576	2,816,303

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

1. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements for the six months ended 30 September 2005 was approved by the Company's Board of Directors on 7 November 2005. This revised condensed consolidated interim financial statements have been prepared after adjusting the effect on the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in a change in the classification in the consolidated balance sheet and has had no material effect on the results for the current or prior accounting periods and net assets of the Group as at 30 September 2005 and 31 March 2005.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2005 except as described below.

Share-based payments
HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted for accounting period on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not vested on 1 January 2005. This change in accounting policy has had no material effect on the results for current and prior accounting periods.

Financial instruments
HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects on the Group resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Derecognition
HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the revised accounting policy prospectively for transfers of financial assets for accounting period on or after 1 April 2005. As a result, the Group's bills receivable discounted with full recourse which were derecognised prior to 1 April 2005 have not been restated. As at 30 September 2005, the Group's bills receivables discounted with full recourse of HK$342,008,000 have been recognised under deposits, prepayments and other receivables and the related borrowings of HK$342,008,000 have been recognised under secured bank borrowings. This change in accounting policy has had no material effect on the results for the current period.

Owner-occupied leasehold interest in land
In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively, which resulted in a decrease in property, plant and equipment of HK$86,517,000 and an increase in prepaid lease payments of HK$86,517,000 as at 31 March 2005.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment[3]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.

2. SEGMENTS INFORMATION

Business Segments

	Turnover Six months ended 30 September		**Contribution to profit from operations Six months ended 30 September**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Manufacture and sales of paper	**1,651,333**	1,257,701	**315,397**	200,968
Manufacture and sales of pulp	**217,987**	–	**17,018**	–
	1,869,320	1,257,701	**332,415**	200,968
Interest income			**411**	186
Interest on bank borrowings wholly repayable within five years			**(19,321)**	(4,036)
Profit before taxation			**313,505**	197,118
Taxation			**(4,155)**	(2,830)
Profit attributable to shareholder			**309,350**	194,288

Geographical Segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market Six months ended 30 September		**Contribution to profit from operations Six months ended 30 September**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China other than Hong Kong (the "PRC")				
– Paper	**978,676**	586,163	**186,923**	93,663
– Pulp	**104,333**	–	**8,145**	–
	1,083,009	586,163	**195,068**	93,663
Export sales delivered in the PRC *(Note)*				
– Paper	**672,657**	613,040	**128,474**	97,958
Others				
– Paper	**–**	58,498	**–**	9,347
– Pulp	**113,654**	–	**8,873**	–
	113,654	58,498	**8,873**	9,347
	1,869,320	1,257,701	**332,415**	200,968
Interest income			**411**	186
Interest on bank borrowings wholly repayable within five years			**(19,321)**	(4,036)
Profit before taxation			**313,505**	197,118
Taxation			**(4,155)**	(2,830)
Profit attributable to shareholders			**309,350**	194,288

Note: These are sales to PRC customers who ultimately export the goods outside the PRC.

3. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Directors' emoluments	**1,914**	1,140
Other staff costs	**96,806**	26,490
Retirement benefits scheme contributions	**1,174**	518
Total staff costs	**99,894**	28,148
Amortisation of prepaid lease payments	**978**	891
Depreciation of property, plant and equipment	**46,930**	34,743
Loss on write-off of property, plant and equipment	**–**	7,312
Operating lease rentals in respect of land and buildings	**6,345**	522

4. TAXATION

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
PRC Foreign Enterprise Income Tax	**5,328**	2,830
Deferred taxation	**(1,173)**	–
	4,155	2,830

The Group's profit is subject to taxation from the place of its operations where its profit is generated. Taxation is calculated at the rates prevailing in the relevant jurisdictions as set out below.

The subsidiaries in the PRC are entitled to exemption from PRC Foreign Enterprise Income Tax for the two years starting from its first profit-making year, followed by a 50% relief for the three years thereafter. The taxation charge represents the PRC Foreign Enterprise Income Tax after taking into account the relevant tax incentives.

The subsidiary in Malaysia carries on offshore trading activities in Labuan, Malaysia, in a currency other than the Malaysian currency with other group companies which are non-residents of Malaysia. The tax rate for offshore trading companies in Labuan is charged at a fixed annual rate of Malaysian RM20,000.

Under Decree-Law No. 58/99/M, a Macau company incorporated under the Law (called "58/99/M Company") is exempted from Macau complementary tax (Macau income tax) as long as the 58/99/M Company does not sell its products to a Macau resident company.

In the opinion of the directors, the Group is not subject to taxation in any other jurisdictions in which the Group operates.

The deferred taxation credit represents deferred tax asset resulted from tax losses of a subsidiary in the United States of America recognised during the period.

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**309,350**	194,288
	Number of shares	Number of shares
Weighted average number of share for the purpose of basic earnings per share	963,384,000	956,612,765
Potential dilutive effect arising from share options	3,668,607	4,374,933
Weighted average number of share for the purpose of diluted earnings per share	967,052,607	960,987,698

6. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$275 million (six months ended 30 September 2004: HK$578 million) on property, plant and equipment to expand its operations.

7. INVENTORIES

	30 September 2005	31 March 2005
	HK$'000	*HK$'000*
At cost:		
Raw materials	**465,955**	458,376
Finished goods	**46,423**	89,988
	512,378	548,364

8. TRADE AND BILLS RECEIVABLE

The credit terms granted by the Group to its customers normally range from 45 to 60 days.

An aging analysis of the trade and bills receivable is as follows:

	30 September 2005	31 March 2005
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**539,813**	371,272
31 – 60 days	**71,122**	97,406
61 – 90 days	**32,044**	25,796
Over 90 days	**8,081**	10,175
	651,060	504,649

9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 30 September 2005, deposits, prepayments and other receivables included HK$342,008,000 (31.3.2005: Nil) being recognition of bills discounted with recourse upon the adoption of HKAS 39.

10. TRADE AND BILLS PAYABLE

An aging analysis of the trade and bills payable is as follows:

	30 September 2005 *HK$'000*	31 March 2005 *HK$'000*
Aged:		
Less than 30 days	**80,298**	83,800
31 – 60 days	**11,032**	5,423
61 – 90 days	**10,647**	3,982
Over 90 days	**10,384**	4,557
	112,361	97,762

11. SECURED BANK BORROWINGS

Upon the adoption of HKAS 39, the Group recognised bills discounted with recourse and related borrowings of HK$342,008,000 as at 30 September 2005.

12. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
On date of incorporation	3,800,000	380
Increase in authorised share capital	1,996,200,000	199,620
At 31 March 2005 and 30 September 2005	2,000,000,000	200,000
Issued and fully paid:		
At 1 April 2004	840,530,000	84,053
Issue of new shares	120,000,000	12,000
Exercise of share options	2,854,000	285
At 31 March 2005 and 30 September 2005	963,384,000	96,338

13. COMMITMENTS

	30 September 2005 *HK$'000*	31 March 2005 *HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**514,304**	655,919

14. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	30 September 2005 *HK$'000*	31 March 2005 *HK$'000*
Within one year	**2,280**	5,889
In the second to fifth year inclusive	**2,621**	33
	4,901	5,922

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of one year with fixed rentals.

15. PLEDGE OF ASSETS

At the balance sheet date, banking facilities granted by certain banks to the Group were secured by the assets of the Group as follows:

	30 September 2005 *HK$'000*	31 March 2005 *HK$'000*
Other receivables *(note 11)*	**342,008**	–
Bank deposits	**–**	1,055
	342,008	1,055

16. CONTINGENT LIABILITIES

	30 September 2005 HK$'000	31 March 2005 HK$'000
Bills discounted with recourse	–	240,050

17. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with the related parties during the period as follows:

		Six months ended 30 September	
	Notes	**2005 HK$'000**	2004 HK$'000
Finished goods sold	*(a)*	**51,591**	43,583
Waste paper purchased	*(b)*	**4,137**	3,778
Steam sold	*(c)*	**780**	780
Licence fee paid	*(d)*	**434**	431
Management fee paid	*(e)*	**28**	366

Notes:

(a) The prices were based on the monthly quote given by the Group to Lee & Man Industrial Manufacturing Limited provided that the quote was not higher than the prevailing market price at the time of such quotation. Lee & Man Industrial Manufacturing Limited is an associate (as defined in the Listing Rules) of Fortune Star Tradings Ltd. ("Fortune Star"). Fortune Star and the Company are under the control of the same discretionary trust, the discretionary beneficiaries of which include Mr. Lee Wan Keung, Patrick, Mr. Lee Man Chun, Raymond and Mr. Lee Man Bun, all of whom are directors of the Company.

(b) The prices were based on the monthly quote given by Lee & Man Industrial Manufacturing Limited provided that the quote was not higher than the prevailing market price at the time of such quotation.

(c) Lee & Man Industrial Manufacturing Limited paid to the Group a monthly fee of HK$130,000 (which is approximately the cost of coal incurred to produce steam in the past) for the supply of steam by the Group.

(d) Lee & Man Paper Products Limited is an associate (as defined in the Listing Rules) of Fortune Star. The licence fees were charged in accordance with the relevant licence agreements.

(e) Lee & Man Management Company Limited ("Lee & Man Management") is a subsidiary of Lee & Man Holding Limited ("Lee & Man Holding"). Lee & Man Holding is beneficially owned by Fortune Star which is an associate (as defined in the Listing Rules) of Trustcorp Limited, a substantial shareholder of the Company. The management fee was charged at a fixed pre-agreed rate per month for the use of the administrative and secretarial services provided by Lee & Man Management and the right to use its premises as registered office.

The directors have confirmed that the above transactions were conducted in the normal course of the Group's business.

18. POST BALANCE SHEET EVENTS

The following events occurred subsequent to 30 September 2005:

(a) On 12 December 2005, the Group entered into an agreement with an independent third party for the acquisition of a paper machine at a consideration of Euro28,238,958 (equivalent to approximately HK$259,516,000). Details of this transaction are set out in a circular of the Company dated 15 December 2005.

(b) On 20 December 2005, the Company entered into a subscription agreement with a bank for a proposed issue of convertible bonds with an aggregate principal amount of HK$1,000,000,000. Details of this transaction are set out in an announcement of the Company dated 21 December 2005.

19. REVIEW OF INTERIM ACCOUNTS

The condensed interim financial statements are unaudited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, certified public accountants.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following terms have the meanings set opposite them:–

"Company" — Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;

"Convertible Bond Issue" — the subscription and issue of the Convertible Bonds with an aggregate principal amount of HK$1,000 million, under the Subscription Agreement;

"Convertible Bonds" — the Convertible Bonds of an aggregate principal amount of HK$1,000 million, to be subscribed by Deutsche Bank subject to and in accordance with the terms of the Subscription Agreement;

"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch; Deemed registered institution under the Securities and Futures Ordinance registered for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the Securities and Futures Ordinance and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
"Employees Share Options"	outstanding share options granted pursuant to the "Pre-IPO" Share Option Scheme of the Company adopted on 11 September 2003;
"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;
"Increased-Issue Option"	the Increased-Issue Option granted by the Company to Deutsche Bank pursuant to which Deutsche Bank may require the Company to issue Optional Bonds with an aggregate principal amount up to HK$200 million exercisable within 30 days after the Closing Date, which was exercised in full by Deutsche Bank on 20 December 2005;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"HKAS"	"Hong Kong Accounting Standard" issued by the Hong Kong Institute of Certified Public Accountants;
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription Agreement"	a conditional subscription agreement entered into between, the Company and Deutsche Bank on 20 December 2005 in connection with the issue by the Company of the Convertible Bonds with an aggregate principal amount of HK$1,000 million including HK$200 million of Bonds to be issued pursuant to the Increased-Issue Option exercised by Deutsche Bank; and
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

By Order of the Board
Lee Wan Keung Patrick
Chairman

Hong Kong, 12 January 2006

As at the date of this notice, the board of directors of the Company comprises five executive directors, namely Mr. Lee Wan Keung Patrick, Mr. Lee Man Chun Raymond, Mr. Lee Man Bun, Mr. Li King Wai Ross and Mr. Tan Siak Him Alexander, one non-executive director, namely Professor Poon Chung Kwong and three independent non-executive directors, namely Mr. Heng Kwoo Seng, Mr. Wong Kai Tung Tony, and Ms. Law Kar Shui Elizabeth.

"Please also refer to the published version of this announcement in The Standard."