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If you have sold or transferred all your securities in Lee & Man Paper Manufacturing Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

DISCLOSEABLE TRANSACTIONS

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
The First Agreement	5
The Second Agreement	6
The Third Agreement	7
Proposed Further Acquisition of Assets	8
Reasons for the Acquisition	9
Information on the Group, the First Vendor and the Second Vendors	9
General	10
Appendix – General information	11

DEFINITIONS

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

“Acquisitions”	the acquisition of the PM IX Asset, the PM X Asset and the PM XI Asset pursuant to the First Agreement, the Second Agreement and the Third Agreement respectively
“associates”	has the meaning ascribed thereto the Listing Rules
“Board”	the board of Directors
“Company”	Lee & Man Paper Manufacturing Limited
“Directors”	the directors of the Company
“EURO”	Euro dollars. For information only, EURO have been translated to HK\$ as to 1 EURO to HK\$9.38. No representation is made that such amounts were or could be exchanged at such rates
“First Agreement”	the agreement dated 27 March 2006, entered into between Metso Paper Inc. as the First Vendor and the Purchaser relating to the Acquisition of Paper Machine IX
“Further Acquisitions”	further acquisitions of production equipment and services for Paper Machine IX, Paper Machine X and Paper Machine XI, as the case may be
“First Vendor”	Metso Paper Inc., vendor of production equipment for Paper Machine IX
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	independent third parties not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Latest Practicable Date”	11 April 2006

DEFINITIONS

“Lee & Man Industries” or “Purchaser”	Lee & Man Industries Company Limited, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MT”	metric tones
“Paper Machine IX”	a linerboard paper machine custom built in accordance with the specifications of the Company to be assembled in Hongmei in accordance with the First Agreement
“Paper Machine X”	a linerboard paper machine custom built in accordance with the specifications of the Company to be assembled in Chongqing in accordance with the Second Agreement
“Paper Machine XI”	a linerboard paper machine custom built in accordance with the specifications of the Company to be assembled in Hongmei in accordance with the Third Agreement
“PM IX Asset”	a main unit of a paper machine for Paper Machine IX to be purchased by the Purchaser pursuant to the First Agreement
“PM X Asset”	a main unit of a paper machine for Paper Machine X to be purchased by the Purchaser pursuant to the Second Agreement
“PM XI Asset”	a main unit of a paper machine for Paper Machine XI to be purchased by the Purchaser pursuant to the Third Agreement
“Second Agreement”	the agreement dated 27 March 2006, entered into between Kanematsu Corporation and Kobayashi Engineering Works, Ltd., as the Second Vendors and the Purchaser relating to the Acquisition of Paper Machine X
“Second Vendors”	Kanematsu Corporation and Kobayashi Engineering Works, Ltd., vendors of production equipment for Paper Machine X and Paper Machine XI
“Shares”	ordinary shares of HK\$0.10 in the capital of the Company

DEFINITIONS

“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Agreement”	the agreement dated 27 March 2006, entered into between Kanematsu Corporation and Kobayashi Engineering Works, Ltd., as the Second Vendors and the Purchaser relating to the Acquisition of Paper Machine XI
“¥”	Japanese Yen, the lawful currency of Japan For information only, ¥ have been translated to HK\$ as to ¥1 to HK\$0.0678. No representation is made that such amounts were or could be exchanged at such rates

LETTER FROM THE BOARD



理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

Executive Directors:

Lee Wan Keung Patrick (*Chairman*)

Lee Man Chun Raymond

Lee Man Bun

Li King Wai Ross

Tan Siak Him Alexander

Non-executive Directors:

Professor Poon Chung Kwong

Independent Non-executive Directors:

Wong Kai Tung Tony

Heng Kwoong Seng

Law Kar Shui Elizabeth

Registered Office

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

*Principal Place of Business
in Hong Kong*

5th Floor, Liven House

61-63 King Yip Street

Kwun Tong

Kowloon

Hong Kong

12 April 2006

To Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS

INTRODUCTION

The Company has, in an announcement dated 30 March 2006, announced that its indirect wholly-owned subsidiary, Lee & Man Industries, has entered into the following agreements as part of the Group's plans to establish three additional production lines, namely, Paper Machines IX to XI:-

- (1) the First Agreement with the First Vendor (an Independent Third Party) on 27 March 2006 to purchase a main unit of a paper machine for Paper Machine IX for EURO 26,138,958 (approximately HK\$245,183,000);
- (2) the Second Agreement with the Second Vendors (an Independent Third Party) on 27 March 2006 to purchase a main unit of a paper machine for Paper Machine X for ¥1,786,100,000 (approximately HK\$121,098,000);

* for identification purpose only

LETTER FROM THE BOARD

- (3) the Third Agreement with the Second Vendors (an Independent Third Party) on 27 March 2006 to purchase a main unit of a paper machine for Paper Machine XI for ¥1,786,100,000 (approximately HK\$121,098,000).

The transactions disclosed in the Announcement and those contemplated under the First Agreement are both entered into by the Group with the First Vendor and, for the purposes of the Listing Rules, have been aggregated accordingly. Similarly, the transactions contemplated under the Second Agreement and the Third Agreement are both entered into by the Group with the Second Vendors and have also, for the purposes of the Listing Rules, been aggregated accordingly. Each of (i) the transactions contemplated under each of the First Agreement, the Second Agreement and the Third Agreement, (ii) the aggregate of the transactions under the First Agreement and the acquisition disclosed in the Announcement and (iii) the aggregate of the transactions contemplated under the Second Agreement and the Third Agreement constitutes a discloseable transaction of the Company under the Listing Rules. This circular contains details of the First Agreement, the Second Agreement and the Third Agreement.

Set out below are the material terms of the First Agreement, Second Agreement and the Third Agreement:

THE FIRST AGREEMENT

- Date:** 27 March 2006
- Parties:** First Vendor: Metso Paper Inc. being an Independent Third Party. To the best of the Directors knowledge and belief, the First Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons (as such term is defined in the Listing Rules) of the Company. The Company came to know the First Vendor through its reputation in the market.
- Purchaser: Lee & Man Industries Company Limited, an indirect wholly-owned subsidiary of the Company
- Asset:** a main unit of a paper machine for Paper Machine IX to be assembled in Hongmei
- Consideration:** The consideration of EURO 26,138,958 (approximately HK\$245,183,000) was agreed after arm's length negotiations between the Vendors and the Purchaser by reference to the current market value of paper machines.

LETTER FROM THE BOARD

The Purchaser is required to pay 10% of the total consideration (EURO 2,613,896 (approximately HK\$24,518,000)) as down payment on or before 30 March, 2006. The remainder of the consideration will be paid upon delivery of the asset. Therefore payment schedule will be subject to the shipment schedule. It is expected that all of the consideration will be paid on or before May 2007.

As there are only a few number of suppliers for paper machine of this kind, the Directors consider it fair and reasonable to obtain one alternative quote only, having regard to an alternative quote from another potential vendor for a machine with similar specifications, the Directors consider the terms of the Acquisition under the First Agreement to be a fair reflection of the current market value. The Directors are therefore of the view that the terms of the First Agreement are fair and reasonable and the Acquisition under the First Agreement is made in the best interest of the Shareholders and the Company.

Other Information: The First Agreement was entered into in the ordinary and usual course of business of the Group.

THE SECOND AGREEMENT

Date: 27 March 2006

Parties: Second Vendors: Kanematsu Corporation and Kobayashi Engineering Works, Ltd., each being an Independent Third Party. To the best of the Directors knowledge and belief, the Second Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons (as such term is defined in the Listing Rules) of the Company. The Company came to know the Second Vendors through their reputation in the market.

Purchaser: Lee & Man Industries Company Limited, an indirect wholly-owned subsidiary of the Company

Asset: a main unit of a paper machine for Paper Machine X to be assembled in Chongqing

Consideration: The consideration of ¥1,786,100,000 (approximately HK\$121,098,000) was agreed after arm's length negotiations between the Second Vendors and the Purchaser by reference to the current market value of paper machines.

LETTER FROM THE BOARD

The Purchaser is required to pay 10% of the total consideration (¥178,610,000 (approximately HK\$12,110,000)) as down payment on or before 31 March, 2006. The remainder of the consideration will be paid upon delivery of the asset. Therefore payment schedule will be subject to the shipment schedule. It is expected that all of the consideration will be paid on or before March 2008.

As there are only a few number of suppliers for paper machine of this kind, the Directors consider it fair and reasonable to obtain one alternative quote only, having regard to an alternative quote from another potential vendor for a machine with similar specifications, the Directors consider the terms of the Acquisition under the Second Agreement to be a fair reflection of the current market value. The Directors are therefore of the view that the terms of the Second Agreement are fair and reasonable and the Acquisition under the Second Agreement is made in the best interest of the Shareholders and the Company.

Other Information: The Second Agreement was entered into in the ordinary and usual course of business of the Group.

THE THIRD AGREEMENT

Date: 27 March 2006

Parties: Second Vendors: Kanematsu Corporation and Kobayashi Engineering Works, Ltd., each being an Independent Third Party. To the best of the Directors knowledge and belief, the Second Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons (as such term is defined in the Listing Rules) of the Company. The Company came to know the Second Vendors through its reputation in the market.

Purchaser: Lee & Man Industries Company Limited, an indirect wholly-owned subsidiary of the Company

Asset: a main unit of a paper machine for Paper Machine XI to be assembled in Hongmei.

Consideration: The consideration of ¥1,786,100,000 (approximately HK\$121,098,000) was agreed after arm's length negotiations between the Second Vendors and the Purchaser by reference to the current market value of paper machines.

LETTER FROM THE BOARD

The Purchaser is required to pay 10% of the total consideration (¥178,610,000 (approximately HK\$12,110,000)) as down payment to be paid on or before 31 March, 2006. The remainder of the consideration will be paid upon delivery of the asset. Therefore payment schedule will be subject to the shipment schedule. It is expected that all of the consideration will be paid on or before July 2008.

As there are only a few number of suppliers for paper machine of this kind, the Directors consider it fair and reasonable to obtain one alternative quote only, having regard to an alternative quote from another potential vendor for a machine with similar specifications, the Directors consider the terms of the Acquisition under the Third Agreement to be a fair reflection of the current market value. The Directors are therefore of the view that the terms of the Third Agreement are fair and reasonable and the Acquisition under the Third Agreement is made in the best interest of the Shareholders and the Company.

Other Information: The Third Agreement was entered into in the ordinary and usual course of business of the Group.

PROPOSED FURTHER ACQUISITIONS OF ASSETS

The Group plans to acquire production equipment (such as stock preparation unit and pumps) in the coming 12 months from the date of the each of the First Agreement, the Second Agreement and the Third Agreement in relation, specifically, to Paper Machine IX, Paper Machine X and Paper Machine XI. Paper Machine IX and Paper Machine X are expected to commence operations in the third quarter of 2007 whilst Paper Machine XI is expected to commence operations in the last quarter of 2007.

In its previous purchase of assets for the establishment of its production lines, the Stock Exchange has exercised its discretion under the Listing Rules to aggregate purchases made in respect of each production line for the purpose of the notifiable transaction rules under the Listing Rules. The Group also proposes Further Acquisitions in relation to each of Paper Machine IX, Paper Machine X and Paper Machine XI. To the extent any individual Further Acquisition constitutes a discloseable transaction under the Listing Rules, the Company shall comply with the Listing Rules in that regard. If the Further Acquisitions are required to be aggregated with the Acquisitions under the Listing Rules and constitute a major or other type of notifiable transaction under the Listing Rules, the Company shall comply with the requirements of the Listing Rules accordingly.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

The PM IX Asset, the PM X Asset and the PM XI Asset were purchased to further enhance the Group's annual production capacity of different linerboard and corrugating medium products. Each of Paper Machine IX, Paper Machine X and Paper Machine XI is a distinct plant producing linerboard and corrugating medium products with different specifications and operate independently. The production capacity of each of Paper Machine IX, Paper Machine X and Paper Machine XI is approximately 430,000 MT, 300,000 MT and 300,000 MT respectively and will increase the capacity of the Group's annual capacity to approximately 3,030,000 MT.

The Group expects to fund the Acquisitions through bank borrowings and/or internal resources. To the extent, as intended, that the Acquisition will be financed by bank borrowings, this is expected to increase the Group's bank borrowings and thus its liabilities. Apart from the payments required for the Acquisitions, the Group does not expect that there will be any material impact on the earnings of the Group until the Paper Machine IX, Paper Machine X and Paper Machine XI commence operations. In addition, there is not expected to be any significant impact on the net asset value of the Group as a result of the Acquisitions.

INFORMATION ON THE GROUP, THE FIRST VENDOR AND THE SECOND VENDORS

The Group is a large-scale paper manufacturer and specialises in production of linerboard and corrugating medium.

The First Vendor is incorporated in Finland and whose shares are listed on the New York Stock Exchange and the Helsinki Stock Exchange. It specialises in pulp and paper industry process, machinery, equipment and related processes.

Each of the Second Vendors is incorporated in Japan. Kanematsu Corporation is a company whose shares are listed on the Tokyo and Osaka stock exchanges and a general trading firm in Japan which handles not only machinery but also steel, natural resources, food stuff, electric products, textile, health care products. Kobayashi Engineering Works, Ltd. is an equipment manufacturer which specialises in paper machine production equipment and is a private company in Japan.

LETTER FROM THE BOARD

GENERAL

The transactions disclosed in the Announcement and those contemplated under the First Agreement are both entered into by the Group with the First Vendor and have been aggregated accordingly. Similarly, the transactions contemplated under the Second Agreement and the Third Agreement are both entered into by the Group with the Second Vendors and have also been aggregated accordingly. Each of (i) the transactions contemplated under each of the First Agreement, the Second Agreement and the Third Agreement, (ii) the aggregate of the transactions under the First Agreement and the acquisition disclosed in the Announcement and (iii) the aggregate of the transactions contemplated under the Second Agreement and the Third Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

By order of the Board
Lee & Man Paper Manufacturing Limited
Lee Wan Keung Patrick
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

1. DISCLOSURE OF INTERESTS**Interests and short positions of Directors and chief executive in the share capital of the Company and its associated corporation**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they would be deemed to taken to have under Sections 344 and 345 of the SFO) or which would be required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the register referred therein pursuant to Section 352 of the SFO.

Directors' interests in the Shares

Name of Director	Capacity	Number of ordinary shares	Number of ordinary shares subject to options granted under the Pre-IPO Share Option Scheme	Percentage of the issued share capital of the Company
Lee Wan Keung Patrick	Held by controlled corporation (<i>Note</i>)	718,718,000	–	74.28%
Lee Man Chun Raymond	Held by controlled corporation (<i>Note</i>)	718,718,000	–	74.28%
Lee Man Bun	Held by controlled corporation (<i>Note</i>)	718,718,000	–	74.28%
Li King Wai Ross	Beneficial owner	–	600,000	0.06%
Tan Siak Him Alexander	Beneficial owner	–	1,566,000	0.16%
Wong Kai Tung Tony	Beneficial owner	–	1,000,000	0.10%
Heng Kwoo Seng	Beneficial owner	–	1,578,000	0.16%

Note: These shares were held by Gold Best Holdings Ltd. (“Gold Best”), whose entire issued share capital is held by Trustcorp Limited (“Trustcorp”) as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond and Mr Lee Man Bun (all of them are directors of the Company), certain of their family members and other charitable objects.

Directors' interests in associated corporations of the Company

Name of Director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued shares capital of associated corporation
Lee Wan Keung Patrick	Held by controlled corporation (<i>Note</i>)	Gold Best	5	100%
Lee Man Chun Raymond	Held by controlled corporation (<i>Note</i>)	Gold Best	5	100%
Lee Man Bun	Held by controlled corporation (<i>Note</i>)	Gold Best	5	100%

Note: As Gold Best owns more than 50% interest of the Company, Gold Best is an associated corporation of the Company under the SFO. The entire issued share capital of Gold Best is owned by Trustcorp as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Mr Lee Wan Keung Patrick, Mr Lee Wan Chun Raymond and Mr Lee Man Bun (all of them are directors of the Company), certain of their family members and other charitable objects.

2. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive are aware of any other person who had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Notifiable interests in Shares

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Gold Best	Beneficial owner	718,718,000	74.28%
Trustcorp	Held by controlled corporation	718,718,000	74.28%
Lee Wong Wai Kuen	Held by spouse (<i>Note</i>)	718,718,000	74.28%

Note: Under the SFO, Lee Wong Wai Kuen is deemed to be interested in these 718,718,000 ordinary shares as she is the spouse of Lee Wan Keung Patrick, a director of the Company.

3. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Group.

4. SERVICE CONTRACTS

Each of the directors has entered into a service contract with the Company, details of which are set out below:

Name of Director	Service Contract Effective Date	Service Terms	Salaries per annum HK\$
Lee Wan Keung Patrick	1 September 2003	Four years	Nil
Lee Man Chun Raymond	1 September 2003	Four years	2,016,000
Lee Man Bun	16 August 2004	Three years	1,002,000
Li King Wai Ross	12 August 2005	Three years	600,000
Tan Siak Him Alexander	1 September 2003	Four years	1,066,000
Poon Chung Kwong	1 February 2006	One year	Nil
Wong Kai Tung Tony	11 September 2005	One year	80,000
Heng Kwoo Seng	11 September 2005	One year	120,000
Law Kar Shui Elizabeth	1 January 2006	One year	Nil

5. COMPETING INTERESTS

None of the Directors of the Company (as defined in the Listing Rules) and their respective associates (as defined in the Listing Rules) have any interest in a business, which competes or may compete with the business of the Group.

6. MISCELLANEOUS

- (a) The company secretary as well the qualified accountant of the Company is Mr Cheung Kwok Keung. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principle place of business of the Company in Hong Kong is located at 5th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (c) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.