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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)

CONTINUING CONNECTED TRANSACTIONS

NEW JIANGSU AGREEMENTS

On 27 May 2011, the New Jiangsu Steam Services Agreement and the New Jiangsu Electricity Services Agreement were entered into between the same parties to replace the Existing Jiangsu Agreements and provide for the continuation to provide services to generate steam and electricity. Each of the New Jiangsu Agreements has a term of three years commencing with effect from 1 April 2011 up to and including 31 March 2014.

NEW DONGGUAN AGREEMENTS

On 27 May 2011, the New Dongguan Finished Goods Agreement and the New Dongguan Steam and Electricity Agreement were entered into between the same parties to provide for the continuation of transactions under the Existing Dongguan Agreements. Each of the New Dongguan Agreements has a term of three years commencing with effect from 1 April 2011 up to and including 31 March 2014.

NEW LICENCE AGREEMENT

On 27 May 2011, Dongguan Lee & Man entered into the New Licence Agreement with L&M Paper. Under the New Licence Agreement, Dongguan Lee & Man would licence the use of certain office spaces and properties from L&M Paper located at Zhong Tang Town, Dongguan City, Guangdong Province, Huangyong Management District (廣東省東莞市中堂鎮潢涌管理區).

The New Jiangsu Agreements, the New Dongguan Agreements and the New Licence Agreement will constitute continuing connected transactions of the Group.

* For identification purposes only

Under the Listing Rules, the transactions under the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement would be aggregated as the services (steam and electricity) to be provided and the parties, are the same or are otherwise associated under the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement. The New Dongguan Finished Goods Agreement and the New Licence Agreement would be treated separately and would not be aggregated with the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement, as the Directors consider that the transactions contemplated under the New Dongguan Finished Goods Agreement and the New Licence Agreement are distinctly separate and different in nature from the transactions contemplated under the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement.

As the relevant percentage ratios under the Listing Rules for the Aggregated Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The relevant percentage ratios under the Listing Rules for each of the New Licence Annual Caps and the annual caps for the New Dongguan Finished Goods Agreement are, on an annual basis, more than 0.1% but less than 5%, accordingly, the New Licence Agreement and the New Dongguan Finished Goods Agreement, pursuant to Rule 14A.34 of the Listing Rules, are each only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. THE BACKGROUND

New Jiangsu Agreements

On 20 May 2010, Jiangsu Paper, an indirect wholly-owned subsidiary of the Company, entered into the Existing Jiangsu Agreements with Jiangsu Chemical. The Existing Jiangsu Agreements and their respective Existing Jiangsu Annual Caps for the three years ended 31 March 2011, and ending 31 March 2012 and 2013 were approved by the Independent Shareholders at the extraordinary general meeting held on 24 June 2010. For more details, please refer to the Company's announcement dated 20 May 2010 and the Company's circular dated 3 June 2010.

On 27 May 2011, the New Jiangsu Steam Services Agreement and the New Jiangsu Electricity Services Agreement were entered into between the same parties to replace the Existing Jiangsu Agreements and provide for the continuation to provide services to generate steam and electricity. Each of the New Jiangsu Agreements has a term of three years commencing with effect from 1 April 2011 up to and including 31 March 2014.

New Dongguan Agreements

On 21 May 2008, Dongguan Lee & Man, an indirect wholly-owned subsidiary of the Company, entered into the Existing Dongguan Agreements with Lee & Man Manufacturing, which expired on 31 March 2011. The Existing Dongguan Agreements and their respective Existing Dongguan Annual Caps for the three years ended 31 March 2011 were approved by the Independent Shareholders at the extraordinary general meeting held on 26 June 2008. For more details, please refer to the Company's announcement dated 21 May 2008 and the Company's circular dated 10 June 2008.

On 27 May 2011, the New Dongguan Finished Goods Agreement and the New Dongguan Steam and Electricity Agreement were entered into between the same parties to provide for the continuation of transactions under the Existing Dongguan Agreements. Each of the New Dongguan Agreements has a term of three years commencing with effect from 1 April 2011 up to and including 31 March 2014.

New Licence Agreement

On 27 May 2011, Dongguan Lee & Man entered into the New Licence Agreement with L&M Paper. Under the New Licence Agreement, Dongguan Lee & Man would licence the use of certain office spaces and properties from L&M Paper located at Zhong Tang Town, Dongguan City, Guangdong Province, Huangyong Management District (廣東省東莞市中堂鎮潢涌管理區).

The New Jiangsu Agreements, the New Dongguan Agreements and the New Licence Agreement will constitute continuing connected transactions of the Group and further details of these agreements are set out below.

B. THE AGREEMENTS

1. New Jiangsu Steam Services Agreement

Date: 27 May 2011

Parties: (i) Jiangsu Paper (an indirect wholly-owned subsidiary of the Company)
(ii) Jiangsu Chemical

Nature of Transaction: Jiangsu Paper will provide services to generate steam for Jiangsu Chemical at a charge of RMB30.00 per ton measured at Jiangsu Paper's meter. The coal for generating the steam will be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical will be 0.164 ton of coal for 1 ton of steam, based on the coal standard at 4,750 kcal/kg. Jiangsu Chemical will provide the steam pipelines and relevant facilities to transfer steam to its production facilities. Jiangsu Chemical will also be responsible for the maintenance and repairs of steam pipelines and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 April 2011 till 31 March 2014.

Payment: Steam service fees will be paid in cash or by way of cheque by Jiangsu Chemical within 14 days after the end of each month based on actual consumption of the amount of the steam but subject to the limits of the New Jiangsu Annual Caps.

2. New Jiangsu Electricity Services Agreement

Date: 27 May 2011

Parties: (i) Jiangsu Paper (an indirect wholly-owned subsidiary of the Company)
(ii) Jiangsu Chemical

Nature of Transaction: Jiangsu Paper will provide services to generate electricity for Jiangsu Chemical at a charge of RMB0.08 per kWh. The coal for generating the electricity will be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical will be 0.557 kg for 1 kWh, based on the coal standard at 4,750 kcal/kg. Jiangsu Chemical will provide the electricity cables and relevant facilities to transmit electricity to its production facilities at its own expense. Jiangsu Chemical will also be responsible for the maintenance and repairs of electricity cables and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 April 2011 till 31 March 2014.

Payment: Electricity service fees will be paid in cash or by way of cheque by Jiangsu Chemical within 14 days after the end of each month based on actual consumption of the electricity units but subject to the limits of the New Jiangsu Annual Caps.

Under the New Jiangsu Agreements, the steam and electricity service fees were based on the estimated supply costs (including overheads and the financing costs of the electricity and steam generating facilities) of Jiangsu Paper. The New Jiangsu Agreements were negotiated and determined on an arm's length basis based on normal commercial terms. The Existing Jiangsu Agreements and Existing Jiangsu Annual Caps will be superseded by the New Jiangsu Agreements and the New Jiangsu Annual Caps.

3. New Dongguan Finished Goods Agreement

Date: 27 May 2011

Parties: (i) Dongguan Lee & Man (an indirect wholly-owned subsidiary of the Company)
(ii) Lee & Man Manufacturing

Nature of Transaction: Dongguan Lee & Man will from time to time supply finished goods (such as test liners and corrugated medium paper) to Lee & Man Manufacturing and other members in its group for manufacturing corrugated paper packaging products in the PRC and Lee & Man Manufacturing will from time to time supply waste paper by-products to Dongguan Lee & Man for manufacturing paper.

The price to be charged by the Group in respect of the supply of finished goods and the purchase of waste paper by-products shall be comparable to the market price charged to independent third parties under normal commercial terms for similar products (where possible, in the same region). If there is no such market price, the price to be charged by the Group shall be comparable to the price charged by other suppliers to third parties for similar products. There is no pre-determined price for the finished goods and waste paper by-products under the New Dongguan Finished Goods Agreement and the price will be determined from time to time based on the criteria set out above.

Term of Agreement: 3 years commencing with effect from 1 April 2011 till 31 March 2014.

Payment: The price to be charged for finished goods and waste paper by products will be paid in cash or by way of cheque within 30 days after the month in which the supply is made based on actual supply but subject to the limits of the New Dongguan Annual Caps.

4. New Dongguan Steam and Electricity Agreement

Date: 27 May 2011

Parties: (i) Dongguan Lee & Man (an indirect wholly-owned subsidiary of the Company)

(ii) Lee & Man Manufacturing

Nature of Transaction: Dongguan Lee & Man will supply steam and electricity to Lee & Man Manufacturing and other members of its group at a maximum monthly fee of HK\$800,000, with actual fees based on actual usage of steam and electricity and as may be mutually agreed between the parties.

The price to be charged by the Group in respect of the supply of steam and electricity shall be comparable to the market price charged to independent third parties under normal commercial terms (where possible, in the same region). If there is no such market price, the price to be charged by the Group shall be comparable to the price charged by other suppliers to independent third parties for similar services. There is no pre-determined price for the steam and electricity to be supplied under the New Dongguan Steam and Electricity Agreement and the price will be determined from time to time based on the criteria set out above.

Term of Agreement: 3 years commencing with effect from 1 April 2011 till 31 March 2014.

Payment: The steam and electricity charges will be paid in cash or by way of cheque by Lee & Man Manufacturing within 30 days after the month in which the supply is made based on actual consumption of the amount of steam and electricity but subject to the limits of the New Dongguan Annual Caps.

5. New Licence Agreement

Date:	27 May 2011
Parties:	(i) Dongguan Lee & Man (an indirect wholly-owned subsidiary of the Company) (ii) L&M Paper
Nature of Transaction:	<p>L&M Paper will licence the use of certain office spaces and properties to Dongguan Lee & Man located at Zhong Tang Town, Dongguan City, Guangdong Province, Huangyong Management District (廣東省東莞市中堂鎮潢涌管理區) as further described below:</p> <ol style="list-style-type: none">1) Second and third floor office spaces2) A-1, A-2 type of staff quarters3) B-2 type of staff quarters4) C-type staff quarters5) D1, D2 high-level staff quarters6) Canteens7) Recreational and other leisure facilities8) Warehouse <p>The total area of the office spaces and properties described above is approximately 35,590.27 square meters and the monthly licence fee charged is RMB120,000. The licence fee was arrived at on normal commercial terms after arm's length negotiation with reference to prevailing market rates of similar commercial premises in Dongguan City of Guangdong Province.</p>
Term of Agreement:	<p>2 years commencing with effect from 1 April 2011. Dongguan Lee & Man has priority to extend the licence term for an additional 1 year on the same terms and conditions upon expiry of the first 2 years term.</p> <p>In the event Dongguan Lee & Man does not wish to extend the New Licence Agreement, it shall give written notice of its intention not to extend the New Licence Agreement to L&M Paper, failing which, the New Licence Agreement shall automatically extend for 1 year on the same term and conditions.</p>
Payment:	Payment of the licence fee shall be made on the 10th day of each month by way of cheque or in cash.

C. HISTORICAL AMOUNTS AND ANNUAL CAPS

Historical amounts and the corresponding historical annual caps under the Existing Jiangsu Agreements and the Existing Dongguan Agreements

The aggregate consideration for the services provided under the Existing Jiangsu Agreements (*Note*) and the Existing Dongguan Agreements compared against the related annual caps for each of the years ended 31 March 2009 to 31 March 2011 were as follows:

Transaction Type	Amount		
	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011
Existing Jiangsu Agreements (<i>Note</i>)			
Actual consideration			
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB11,058,000 (approximately HK\$13,247,484)	RMB32,650,000 (approximately HK\$39,114,700)	RMB12,874,000 (approximately HK\$15,423,052)
Annual cap			
	RMB32,500,000 (approximately HK\$38,935,000)	RMB50,000,000 (approximately HK\$59,900,000)	RMB20,100,000 (approximately HK\$24,079,800)
Actual consideration			
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB6,772,000 (approximately HK\$8,112,856)	RMB22,169,000 (approximately HK\$26,558,462)	RMB38,222,000 (approximately HK\$45,789,956)
Annual cap			
	RMB21,500,000 (approximately HK\$25,757,000)	RMB30,000,000 (approximately HK\$35,940,000)	RMB44,800,000 (approximately HK\$53,670,400)
Actual consideration			
Total:	RMB17,830,000 (approximately HK\$21,360,340)	RMB54,819,000 (approximately HK\$65,673,162)	RMB51,096,000 (approximately HK\$61,213,008)
Annual cap			
	RMB54,000,000 (approximately HK\$64,692,000)	RMB80,000,000 (approximately HK\$95,840,000)	RMB64,900,000 (approximately HK\$77,750,200)

Note: The Existing Jiangsu Agreements replaced the Jiangsu steam services agreement and the Jiangsu electricity services agreement both dated 14 March 2008 (“2008 Jiangsu Agreements”) which were both entered into with the same parties for the same services as those under the Existing Jiangsu Agreements. The 2008 Jiangsu Agreements and their respective annual caps were approved by the Independent Shareholders at the extraordinary general meeting held on 25 April 2008. The aggregate consideration for the services and related annual caps shown above for the years ended 31 March 2009 and 2010 are therefore amounts in respect of the 2008 Jiangsu Agreements (prior to being superseded by the Existing Jiangsu Agreements). The aggregate consideration for the services and related annual caps shown for the year ended 31 March 2011 are amounts in respect of the Existing Jiangsu Agreements.

Transaction Type	Amount		
	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011
Existing Dongguan Agreements			
		Actual consideration	
Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing	HK\$145,958,000	HK\$153,193,000	HK\$126,781,000
		Annual cap	
	HK\$280,000,000	HK\$310,000,000	HK\$310,000,000
		Actual consideration	
Purchase of waste paper by products from Lee & Man Manufacturing by Dongguan Lee & Man	HK\$1,412,000	HK\$1,066,000	HK\$1,742,000
		Annual cap	
	HK\$3,000,000	HK\$3,000,000	HK\$3,000,000
		Actual consideration	
Supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing	HK\$5,580,000	HK\$3,193,000	HK\$3,039,000
		Annual cap	
	HK\$10,000,000	HK\$12,000,000	HK\$12,000,000
		Actual consideration	
Total:	HK\$152,950,000	HK\$157,452,000	HK\$131,562,000
		Annual cap	
	HK\$293,000,000	HK\$325,000,000	HK\$325,000,000

D. NEW ANNUAL CAPS

The Company proposes that the New Jiangsu Annual Caps, New Dongguan Annual Caps and the New Licence Annual Caps for each of the three financial years ending 31 March 2012, 2013 and 2014 be as follows:

Type of Transaction	Amount		
	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
New Jiangsu Annual Caps			
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB17,100,000 (approximately HK\$20,485,800)	RMB17,100,000 (approximately HK\$20,485,800)	RMB17,100,000 (approximately HK\$20,485,800)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB54,960,000 (approximately HK\$65,842,080)	RMB54,960,000 (approximately HK\$65,842,080)	RMB54,960,000 (approximately HK\$65,842,080)
Total	RMB72,060,000 (approximately HK\$86,327,880)	RMB72,060,000 (approximately HK\$86,327,880)	RMB72,060,000 (approximately HK\$86,327,880)
New Dongguan Annual Caps			
Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing	HK\$200,000,000	HK\$200,000,000	HK\$200,000,000
Purchase of waste paper by products from Lee & Man Manufacturing by Dongguan Lee & Man	HK\$5,000,000	HK\$5,000,000	HK\$5,000,000
Supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing	HK\$9,600,000	HK\$9,600,000	HK\$9,600,000
Total:	HK\$214,600,000	HK\$214,600,000	HK\$214,600,000
New Licence Annual Caps			
Office spaces and properties licensed for use by Lee & Man Paper to Dongguan Lee & Man	RMB1,440,000 (approximately HK\$1,725,120)	RMB1,440,000 (approximately HK\$1,725,120)	RMB1,440,000 (approximately HK\$1,725,120)

New Jiangsu Annual Caps

The New Jiangsu Annual Caps have been determined by reference to the amount of historical transactions between Jiangsu Paper and Jiangsu Chemical for the financial years ended 31 March 2009, 2010 and 2011, taking into account Jiangsu Paper's own anticipated consumption requirements, the spare electricity and steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements, the production plans and the related estimated electricity and steam requirements of Jiangsu Chemical for the period from 1 April 2011 up to 31 March 2014, as well as the estimated unit price of steam and electricity services to be provided.

New Dongguan Annual Caps

Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing

The relevant caps for the supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing have been determined by reference to: (i) the amount of historical transactions between the Group and Lee & Man Manufacturing for the three financial years ended 31 March 2009, 2010 and 2011; (ii) the anticipated amount of transactions and price for the finished goods (taking into account the market price charged to independent third parties under normal commercial terms for similar products (where possible, in the same region)) for the three financial years ending 31 March 2012, 2013 and 2014; (iii) increase in the costs of fuel (in particular, coal) and raw materials required for the finished goods and (iv) the supply plan for Dongguan Lee & Man and the production plan and requirements of Lee & Man Manufacturing.

Purchase of waste paper by products from Lee & Man Manufacturing by Dongguan Lee & Man

The relevant caps for the purchase of waste paper by products from Lee & Man Manufacturing by Dongguan Lee & Man have been determined by reference to (i) the amount of historical transactions between the Group and Lee & Man Manufacturing for the financial years ended 31 March 2009, 2010 and 2011; (ii) the anticipated amount of transactions and price for the waste paper by-products (taking into account the market price charged to independent third parties under normal commercial terms for similar products (where possible, in the same region)) for the three financial years ending 31 March 2012, 2013 and 2014; and (iii) the waste paper by-products anticipated to be generated by Lee & Man Manufacturing and the production plan and requirements of Dongguan Lee & Man.

Supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing

The relevant caps for the supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing have been determined by reference to: (i) the amount of historical transactions between the Group and Lee & Man Manufacturing for the three financial years ended 31 March 2009, 2010 and 2011; (ii) the anticipated amount of transactions and charges for steam and electricity for the three financial years ending 31 March 2012, 2013 and 2014; (iii) increase in the costs of fuel (in particular, coal) and the spare electricity and steam capacity of Dongguan Lee & Man and (iv) the production plan and requirements of Lee & Man Manufacturing.

New Licence Annual Caps

The New Licence Annual Caps were based on the agreed fixed monthly licence fee of RMB120,000 under the New Licence Agreement which was arrived at on normal commercial terms after arm's length negotiation with reference to prevailing market rates for similar commercial premises in Dongguan City of Guangdong Province.

E. REASONS AND BENEFITS FOR THE TRANSACTIONS

New Jiangsu Agreements

The Group is a large-scale paper manufacturer and specializes in the production of linerboard and corrugating medium. The principal business of Jiangsu Paper is manufacturing and trading of paper. Lee & Man Holding and its subsidiaries are principally engaged in the manufacture and sale of handbags and chemical production. The principal business of Jiangsu Chemical is in the production and sales of chloromethane products, and the production facilities of Jiangsu Chemical are nearby the production of Jiangsu Paper in Jiangsu.

The New Jiangsu Agreements have been negotiated and agreed on an arms' length basis between Jiangsu Paper and Jiangsu Chemical based on normal commercial terms. The supply of steam in excess of those required for its own anticipated consumption requirement for supply to Jiangsu Chemical will enable Jiangsu Paper to generate additional income. It will also enhance the overall operational efficiency of the generating facilities due to larger economies of scale, and to lower the unit costs of steam and electricity to Jiangsu Paper. The New Jiangsu Annual Caps will also more accurately reflect the actual requirements of the parties compared with the Existing Jiangsu Annual Caps.

New Dongguan Agreements

Lee & Man Manufacturing is principally engaged in the manufacturing of corrugated paper packaging products in the PRC. The New Dongguan Agreements have been negotiated and agreed on an arms' length basis between the Group and Lee & Man Manufacturing based on normal commercial terms. The terms of the New Dongguan Agreements (in terms of pricing policies and payment policies) are substantially the same as the terms of the transactions under the Existing Dongguan Agreements. The supply of steam and electricity in excess of those required for its own anticipated consumption requirement for supply to Lee & Man Manufacturing will enable the Group to generate additional income. The purchase of waste paper by-products from Lee & Man Manufacturing will enable the Group to secure a steady supply source of such products on normal commercial terms.

New Licence Agreement

L&M Paper is an investment holding company. The New Licence Agreement had been negotiated and agreed on an arms' length basis between the Group and L&M Paper based on normal commercial terms with reference to prevailing market rates for similar commercial premises in Dongguan City of Guangdong Province.

The New Licence Agreement was entered into in the light of the long-term business development and in order to enhance and promote the strategic positioning and the business operation efficiency in Guangdong Province.

F. GENERAL

Jiangsu Chemical is an indirect wholly-owned subsidiary of Lee & Man Holding, an associate of Mr. Lee Wan Keung Patrick, the chairman, a Director, and the ultimate controlling shareholder of the Company. As at the date of this announcement, Mr. Lee Wan Keung Patrick holds 100% of Gold Best Holdings Ltd., which in turn is interested in approximately 53% of the shares in the Company. Accordingly, the transactions under the New Jiangsu Agreements constitute continuing connected transactions under the Listing Rules. The Company does not hold any shares in Lee & Man Holding and vice versa as at the date of this announcement.

Lee & Man Manufacturing and L&M Paper are wholly-owned by a daughter of Mr. Lee Wan Keung Patrick and are therefore associates of Mr. Lee Wan Keung Patrick. Accordingly, the transactions under the New Dongguan Agreements and New Licence Agreement constitute continuing connected transactions under the Listing Rules. The Company does not hold any shares in Lee & Man Manufacturing and L&M Paper and vice versa as at the date of this announcement.

The Directors (including the independent non-executive Directors) are of the view that the New Jiangsu Agreements, the New Dongguan Agreements and the New Licence Agreement were made after arm's length negotiations and under normal commercial terms and the transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Furthermore, save and except Mr. Lee Wan Keung Patrick who had abstained from voting on the Board resolutions in relation to the New Jiangsu Agreements, the New Dongguan Agreements and the New Licence Agreement, no other Director has a material interest in the New Jiangsu Agreements, the New Dongguan Agreements or the New Licence Agreement or is required to abstain from voting on the Board resolutions in relation to the same. Mr. Lee Man Chun Raymond and Mr. Lee Man Bun had also voluntarily abstained from voting on the relevant board resolutions approving the aforesaid transactions to avoid any impression of there being a conflict of interest in the matters to be resolved.

Under the Listing Rules, the transactions under the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement would be aggregated as the services (steam and electricity) to be provided and the parties, are the same or are otherwise associated under the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement. The New Dongguan Finished Goods Agreement and the New Licence Agreement would be treated separately and would not be aggregated with the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement, as the Directors consider that the transactions contemplated under the New Dongguan Finished Goods Agreement and the New Licence Agreement are distinctly separate and different in nature from the transactions contemplated under the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement.

As the relevant percentage ratios under the Listing Rules for the Aggregated Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the New Jiangsu Agreements and the New Dongguan Steam and Electricity Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The relevant percentage ratios under the Listing Rules for each of the New Licence Annual Caps and the annual caps for the New Dongguan Finished Goods Agreement are, on an annual basis, more than 0.1% but less than 5%, accordingly, the New Licence Agreement and the New Dongguan Finished Goods Agreement, pursuant to Rule 14A.34 of the Listing Rules, are each only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

G. DEFINITIONS

The following defined terms are used in this announcement:

“Aggregated Annual Caps”	the aggregated annual consideration received under the New Jiangsu Annual Caps and the annual caps under the New Dongguan Steam and Electricity Agreement;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Dongguan Lee & Man”	Dongguan Lee & Man Paper Factory Co., Ltd., a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Existing Dongguan Agreements”	a finished goods and waste-paper by-products supply agreement and a steam and electricity agreement both dated 21 May 2008 entered into between Dongguan Lee & Man and Lee & Man Manufacturing, details of which are set out in the Company's announcement dated 21 May 2008 and circular dated 10 June 2008;

“Existing Dongguan Annual Caps”	the maximum annual consideration for the supply of finished goods and waste paper by-products, and the supply of steam and electricity under the Existing Dongguan Agreements for each of the three financial years ended 31 March 2009, 2010 and 2011 as approved by independent Shareholders at the Company’s extraordinary general meeting held on 26 June 2008;
“Existing Jiangsu Agreements”	the agreements dated 20 May 2010 between Jiangsu Paper and Jiangsu Chemical in relation to the supply of steam and electricity by Jiangsu Paper to Jiangsu Chemical, details of which are set out in the Company’s announcement dated 20 May 2010 and circular dated 3 June 2010;
“Existing Jiangsu Annual Caps”	the maximum annual consideration for providing steam and electricity by Jiangsu Paper to Jiangsu Chemical under the Existing Jiangsu Agreements for each of the three financial years ended 31 March 2011, and ending 31 March 2012 and 2013 as approved by independent Shareholders at the Company’s extraordinary general meeting held on 24 June 2010;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Shareholders”	Shareholders other than Mr. Lee Wan Keung Patrick and his associates;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an associate of Mr. Lee;
“Jiangsu Paper”	Jiangsu Lee & Man Paper Manufacturing Company Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;

“kcal”	kilocalorie;
“kg”	kilogram;
“kWh”	unit of electricity, i.e. kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour;
“L&M Paper”	Lee & Man Paper Products Company Limited, a company incorporated in Hong Kong and indirect wholly-owned by a daughter of Mr. Lee Wan Keung Patrick;
“Lee & Man Holding”	Lee & Man Holding Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Lee & Man Manufacturing”	Lee & Man Industrial Manufacturing Limited, an indirect wholly-owned company of a daughter of Mr. Lee Wan Keung Patrick;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Dongguan Annual Caps”	the maximum annual consideration to be paid or received for providing services and products under the New Dongguan Agreements for each of the three financial years ending 31 March 2012, 2013 and 2014, details of which are set out in this announcement;
“New Dongguan Agreements”	the New Dongguan Finished Goods Agreement and New Dongguan Steam and Electricity Agreement;
“New Dongguan Finished Goods Agreement”	the agreement dated 27 May 2011 entered into between Dongguan Lee & Man and Lee & Man Manufacturing for the supply of finished goods to Lee & Man Manufacturing and the supply of waste paper by-products to Dongguan Lee & Man;

“New Dongguan Steam and Electricity Agreement”	the agreement dated 27 May 2011 entered into between Dongguan Lee & Man and Lee & Man Manufacturing for the supply of steam and electricity to Lee & Man Manufacturing;
“New Jiangsu Agreements”	the New Jiangsu Steam Services Agreement and New Jiangsu Electricity Services Agreement;
“New Jiangsu Annual Caps”	the maximum annual consideration to be paid or received for providing services to generate electricity and steam by Jiangsu Paper to Jiangsu Chemical under the New Jiangsu Agreements for each of the three financial years ending 31 March 2012, 2013 and 2014, details of which are set out in this announcement;
“New Jiangsu Electricity Services Agreement”	the agreement dated 27 May 2011 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides services to generate electricity for Jiangsu Chemical;
“New Jiangsu Steam Services Agreement”	the agreement dated 27 May 2011 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides services to generate steam for Jiangsu Chemical;
“New Licence Agreement”	the agreement dated 27 May 2011 entered into between Dongguan Lee & Man and L&M Paper pursuant to which L&M Paper would licence the use of certain office spaces and properties to Dongguan Lee & Man;
“New Licence Annual Caps”	the maximum annual consideration to be paid or received for licensing the use of certain office spaces and properties under the New Licence Agreement for each of the three financial years ending 31 March 2012, 2013 and 2014, details of which are set out in this announcement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of PRC;

“Shareholder(s)”	holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“ton”	a metric ton, a measurement of mass equal to 1,000 kilograms; and
“%”	per cent.

For illustration purposes only the exchange rate of RMB1 = HK\$1.198 has been adopted for translating RMB into HK\$ in this announcement.

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

27 May 2011

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond, Mr Lee Man Bun and Mr Kunihiko Kashima, two non-executive directors, namely Professor Poon Chung Kwong and Mr Yoshio Haga, and three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.