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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

On 14 March 2008 Jiangsu Paper, a wholly owned subsidiary of the Company, has entered into the Agreements with Jiangsu Chemical. Jiangsu Chemical is a wholly owned subsidiary of Lee & Man Holding, an associate of Mr. Lee Wan Keung, the chairman of the Company and a Director. Accordingly, the transactions under the Agreements constitute continuing connected transactions under the Listing Rules.

As the Annual Caps (which, for the purpose of the Listing Rules, will be aggregated with the annual caps under the Business Services Agreements) is more than 2.5% and is less than 25% of the applicable percentage ratios in respect of the Company and is greater than HK\$10,000,000, the Agreements and Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Accordingly, each of the Agreements is conditional upon the approval of the Independent Shareholders at the EGM.

In addition, since Lee & Man Holding is a listed company on the Stock Exchange, the Agreements also constitute continuing connected transactions for Lee & Man Holding and are subject to approval by their independent shareholders.

A circular containing, among other things, details of the Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Advisers to the Independent Board Committee and Independent Shareholders and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

A. THE AGREEMENTS

On 14 March 2008 Jiangsu Paper has entered into the Agreements with Jiangsu Chemical. Set out below is a summary of the Agreements.

Type of transaction**Nature of transaction**Electricity Services Agreement

Services to generate electricity by Jiangsu Paper for Jiangsu Chemical

Under the Electricity Services Agreement dated 14 March 2008, Jiangsu Paper will provide services to generate electricity for Jiangsu Chemical at a fee of RMB0.05 per Unit. The coal and other raw material for generating the electricity will be supplied by Jiangsu Chemical. Jiangsu Chemical will also be responsible for the electricity cables and other facilities to transmit electricity to its production facilities. The Electricity Services Agreement is for a term of two years and eight months commencing from 1 May 2008 till 31 December 2010.

Steam Services Agreement

Services to generate steam by Jiangsu Paper for Jiangsu Chemical

Under the Steam Services Agreement dated 14 March 2008, Jiangsu Paper will provide services to generate steam for Jiangsu Chemical at a charge of RMB90.00 per ton. The coal for generating the steam will be supplied by Jiangsu Chemical. Jiangsu Chemical will also be responsible for installing steam pipelines and other facilities to transfer steam to its production facilities. The Steam Services Agreement is for a term of two years and eight months commencing from 1 May 2008 till 31 December 2010.

The electricity and steam service fees under the Agreements will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption subject to the amounts restricted by the Annual Caps.

The electricity and steam service fees under the Agreements were negotiated and determined on an arms length basis based on the estimated supply costs (including overheads and a mark up representing investment and financing costs of the electricity and steam generating facilities) to Jiangsu Paper. The Directors are of the view that such mark up is fair and reasonable as it represents a fair return, that is, to allow for its investment costs in the same production facilities for steam and electricity (as steam is a by-product from the production of electricity) to break even in 4 years time assuming continuous supply of steam and electricity throughout these four years, together with the combination of the following factors. As regards supply of steam services, there are no other suppliers nearby the production facilities of Jiangsu Chemical and the rates charged by Jiangsu Paper (taking into consideration the costs of raw material and steam pipelines which will be provided by Jiangsu Chemical) is in line with those which Jiangsu Paper is charging other steam customers. As regards supply of electricity service, the Group considers such basis for determination of the rates to be reasonable as its service fees, taking into account of the service fees of supplying steam, represents a fair return of its investment in the electricity and steam generating facilities as stated above and there are no relevant market rates from other suppliers in the vicinity of Jiangsu Paper and Jiangsu Chemical which can be used as benchmark for the rates under the Agreements.

The Company proposes that the maximum aggregate annual consideration under the Agreements will not exceed the respective cap amounts (in respect of which Independent Shareholders approval is proposed to be sought at the EGM) as shown in the table below for each of the three financial years ending 31 March 2011:

Type of Transaction	Annual Caps for financial year ending 31 March		
	2009	2010	2011
Services to generate electricity by Jiangsu Paper for Jiangsu Chemical	RMB21,500,000 (approximately HK\$23,435,000)	RMB30,000,000 (approximately HK\$32,700,000)	RMB22,500,000 (approximately HK\$24,525,000)
Services to generate steam by Jiangsu Paper for Jiangsu Chemical	RMB32,500,000 (approximately HK\$35,425,000)	RMB50,000,000 (approximately HK\$54,500,000)	RMB37,500,000 (approximately HK\$40,875,000)
Total	RMB54,000,000 (approximately HK\$58,860,000)	RMB80,000,000 (approximately HK\$87,200,000)	RMB60,000,000 (approximately HK\$65,400,000)

The Annual Caps have been determined by reference to the following principal factors:

- the spare electricity/steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements after taking into account Jiangsu Paper own anticipated consumption requirements;
- the production plans and the related estimated electricity and steam requirements of Jiangsu Chemical for the period from 1 May 2008 up to 31 December 2010; and
- the estimated unit price of electricity and steam services to be provided.

Each of the Agreements is conditional upon the approval of the Independent Shareholders at the EGM. In addition, since Lee & Man Holding is a listed company on the Stock Exchange, the Agreements also constitute continuing connected transactions for Lee & Man Holding and is subject to approval by their independent shareholders.

B. REASONS AND BENEFITS FOR THE TRANSACTIONS UNDER THE 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 luggage 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 is nearby the production of the Group in Jiangsu. The electricity and steam generating facilities of the Group has catered for the Group's long term production plan and will not be fully utilised during the term of the Agreements. The Group is currently supplying approximately 360,000 tons of steam per year to four other customers but does not consider that there will be any other customer for such unutilised electricity and steam generating capacity. As of the date of this announcement, the amount of unutilised electricity and steam capacity of Jiangsu Paper is approximately 764 million kwh

per year and 3.3 million tons per year respectively. Through generate electricity and supply steam in excess of those required for its own anticipated consumption requirements during this period for supply to Jiangsu Chemical which is not in the same line of business or does not operate in the areas in which the Group has its core operations, the transactions will enable the Group to make use of the unutilised electricity and steam generating resources to generate additional income. It will also enhance the overall operational efficiency of the generating facilities due to larger scale of economy, and to lower the unit costs of electricity and steam to the Group.

The Agreements have been negotiated and agreed on an arms' length basis between the Group and Jiangsu Chemical based on normal commercial terms. The Directors consider the terms of the Agreements to be fair and reasonable and in the interests of the Company and its Shareholders as a whole. The advice and recommendation to the Independent Shareholders by the Independent Board Committee will be included in the circular to the Shareholders after it has received advice from the Independent Financial Advisers.

C. GENERAL

Jiangsu Chemical is a wholly owned subsidiary of Lee & Man Holding, an associate of Mr. Lee Wan Keung, Patrick, the chairman of the Company and a Director, as a result of Mr. Lee Wan Keung, Patrick being the ultimate controlling shareholder of Lee & Man Holding. As at the date of this announcement, Mr. Lee Wan Keung Patrick is interested in 51% of Gold Best Holdings Ltd., which in turn is interested in 62.2% of the shares in the Company. Accordingly, the transactions under the Agreements constitute continuing connected transactions. The Company does not hold any shares in Lee & Man Holding and vice versa as at the date of this announcement.

On 25 August 2006, Dongguan Lee & Man, an indirect wholly-owned subsidiary of the Company, entered into the Business Services Agreements with Lee & Man Industrial, an associate of Mr. Lee Wan Keung, details of which are set out in the Company's announcement dated 25 August 2006. Under the Listing Rules, the Annual Caps will be aggregated with the annual caps under the Business Services Agreements. As the Business Services Agreements ends on 31 March 2009, the Annual Cap for the financial year ending 31 March 2009 as aggregated by reference to the annual cap under the Business Services Agreements is approximately HK\$255.42 million.

Save for the Agreements and the Business Services Agreements, the Company has confirmation from Mr. Lee Wan Keung, Patrick that he and his associates do not have any other transactions with the Group that are subsisting and are subject to aggregation pursuant to Rule 14A.25 to 14A.27 of the Listing Rules.

As the Annual Caps (which, under the Listing Rules, will be aggregated with the annual caps under the Business Services Agreements) is more than 2.5% and is less than 25% of the applicable percentage ratios in respect of the Company and is greater than HK\$10,000,000, the Agreements and their respective Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Mr. Lee Wan Keung and his associates will abstain from voting at the EGM of the Company to approve the Agreements, and the votes of the Independent Shareholders in the EGM will be taken by poll.

An Independent Board Committee will be constituted to make recommendations to the Independent Shareholders in respect of the resolution to approve the Agreements and their respective Annual Caps. As Mr. Heng Kwo Seng and Mr. Wong Kai Tung, Tony, two of the independent non-executive Directors, are also independent non-executive directors of Lee & Man Holding, they will not be on the Independent Board Committee. CIMB-GK Securities (HK) Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole and whether each of the Annual Caps are fair and reasonable.

A circular containing, among other things, details of the Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Advisers to the Independent Board Committee and Independent Shareholders and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

D. DEFINITIONS

The following defined terms are used in this announcement:

"Agreements"	the Electricity Services Agreement and the Steam Services Agreement;
"Annual Caps"	the maximum annual consideration payable by Jiangsu Chemical to Jiangsu Paper under the Agreements, for each of 2009, 2010 and 2011 details of which are set out in Section A in this announcement;
"associates"	has the meaning ascribed thereto in the Listing Rules;
"Board"	the board of Directors;
"Business Services Agreements"	a finished goods agreement and a steam agreement both dated 25 August 2006 entered into between Dongguan Lee & Man and Lee & Man Industrial, details of which are set out in the Company's announcement dated 25 August 2006;
"Company"	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
"connected person"	has the meaning ascribed thereto in the Listing Rules;
"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;
"Electricity Services Agreement"	the agreement dated 14 March 2008 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper generates electricity for Jiangsu Chemical;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	a board committee comprising of Ms. Law Kar Shui Elizabeth, an independent non-executive Directors of the Company, to be constituted to make recommendations to the Independent Shareholders in respect of the Agreements and the Annual Caps
"Independent Financial Advisers"	CIMB-GK Securities (HK) Limited, the independent financial advisers of the Company;
"Independent Shareholders"	Shareholders other than Mr. Lee Wan Keung and his associates;
"Jiangsu Chemical"	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of Lee & Man Holding;
"Jiangsu Paper"	Jiangsu Lee & Man Paper Manufacturing Limited, a wholly foreign-owned established in the PRC and a wholly-owned subsidiary of the Company;
"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 Industrial"	Lee & Man Industrial Manufacturing Limited, a company indirectly wholly owned by a daughter of Mr. Lee Wan Keung, Patrick;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China;
"RMB"	Reminbi, the lawful currency of the PRC. For information only, RMB have been translated into HK\$ as to RMB to HK\$1.09. No representation is made that such amounts were or could be exchanged at such rates;
"Shareholder(s)"	holder(s) of shares of the Company;

"Steam Services Agreement"	the agreement dated 14 March 2008 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper generate steam for Jiangsu Chemical;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Unit(s)"	unit(s) of electricity, i.e. kilowatt(s); and
"%"	per cent.

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

14 March 2008

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, Mr. Li King Wai Ross, one non-executive director, namely Professor Poon Chung Kwong and three independent non-executive directors, namely Mr. Wong Kai Tung, Tony, Mr. Heng Kwoong Seng and Ms. Law Kar Shui Elizabeth.

* *For identification purposes only*