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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 21 May 2008, Dongguan Lee & Man, a wholly-owned subsidiary of the Company, entered into the New Finished Goods Agreement and the New Steam and Electricity Agreement with Lee & Man Manufacturing to replace the Existing Finished Goods Agreement and the Existing Steam Agreement respectively which will expire on 31 March 2009. Lee & Man Manufacturing is an associate of Mr. Lee Wan Keung, Patrick, the chairman of the Company and a Director. Accordingly, the transactions under the New Agreements constitute continuing connected transactions under the Listing Rules.

For the purpose of the Listing Rules, the New Annual Caps in aggregate for the New Agreements will be aggregated with the annual caps under the Electricity Services Agreement and the Steam Services Agreement entered into between Jiangsu Paper, a wholly-owned subsidiary of the Company and Jiangsu Chemical, an associate of Mr. Lee Wan Keung, Patrick. As the Aggregated Annual Caps is more than 2.5% and less than 25% of the applicable percentage ratios in respect of the Company and is greater than HK\$10,000,000, the New Agreements and the New Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

A circular containing, among other things, details of the New Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from the IFA 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. BACKGROUND

On 25 August 2006, Dongguan Lee & Man, a wholly-owned subsidiary of the Company, entered into the Existing Finished Goods Agreement and Existing Steam Agreement with Lee & Man Manufacturing, which will expire on 31 March 2009. Lee & Man Manufacturing is an associate of Mr. Lee Wan Keung, Patrick, the chairman of the Company and a Director. Accordingly, the transactions under the Existing Agreements constitute continuing connected transactions under the Listing Rules. The Existing Agreements and their respective Existing Annual Caps for the three years ending 31 March 2007, 2008 and 2009 were approved by the Independent Shareholders at the extraordinary general meeting held on 6 October 2006. For more details, please refer to the Company's announcements dated 25 August 2006 and 6 October 2006 and the Company's circular dated 18 September 2006.

In anticipation for the new supply of electricity by the Group, the new purchase of waste

paper by-products by the Group, the increasing amount and value of transactions between Dongguan Lee & Man and Lee & Man Manufacturing and the increased costs of fuel (in particular, cost of coal, which has almost doubled since 2004) and raw material required for the finished goods, the annual cap for financial year ending 31 March 2009 is expected to exceed the Existing Annual Caps for such financial year. Accordingly, on 21 May 2008, the New Finished Goods Agreement and the New Steam and Electricity Agreement were entered into between the same parties to replace the Existing Agreements. Each of the New Agreements has a term of two years and nine months commencing on 1 July 2008 till 31 March 2011. The New Annual Caps for the New Agreements will sought to be approved by the Independent Shareholders at the EGM in accordance with the Listing Rules.

B. NEW AGREEMENTS

The principal terms of the New Agreements are set out as follows:

1. New Finished Goods Agreement

Date:	21 May 2008
Parties:	(i) Dongguan Lee & Man (a 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.
Term of agreement:	two years and nine months commencing from 1 July 2008 till 31 March 2011

2. New Steam and Electricity Agreement

Date:	21 May 2008
Parties:	(i) Dongguan Lee & Man (a 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 monthly fee of HK\$1,000,000, subject to adjustments (taking into account any changes in actual usage of steam and electricity) as may be mutually agreed between the parties.
Term of agreement:	two years and nine months commencing from 1 July 2008 till 31 March 2011

Each of the New Agreements is conditional upon the approval of the Independent Shareholders at the EGM. The Existing Agreements and Existing Annual Caps will continue to apply until the New Agreements have become unconditional, whereupon they will be replaced by the New Agreements and New Annual Caps respectively.

Under the New Finished Goods Agreement, 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 against other third parties for similar services or products. The price to be charged for finished goods and waste paper by-products under the New Finished Goods Agreement will be paid by cash within 30 days after the month in which the supply is made. There is no pre-determined price for the finished goods and waste paper by-products under the New Finished Goods Agreement and the price will be determined from time to time based on the criteria set above.

Under the New Steam and Electricity Agreement, the steam fee and electricity charges were based on the estimated monthly coal consumption and overheads of the Group and shall be comparable to the market price charged by other suppliers 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 against other third parties for similar services or products. The steam and electricity charges will be paid by cash by Lee & Man Manufacturing within 30 days after the month in which the supply is made. There is no pre-determined charges for steam and electricity under the New Steam and Electricity Agreement and the charges will be determined from time to time determined based on the criteria set above.

C. HISTORICAL AMOUNTS AND ANNUAL CAPS

The aggregate consideration for supply of finished goods, waste paper by-products and steam for each of the three financial years ended 31 March 2005, 2006 and 2007 were as follows:-

Type of Transaction	Amount (HK\$)		
	Year ended 31 March 2005	Year ended 31 March 2006	Year ended 31 March 2007
Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing	84,229,000	122,018,000	97,724,000
Purchase of waste paper by-products from Lee & Man Manufacturing by Dongguan Lee & Man	6,986,000	7,764,000	Nil
Supply of steam by Dongguan Lee & Man to Lee & Man Manufacturing	1,560,000	1,560,000	1,560,000
Total:	92,775,000	131,342,000	99,284,000

At the extraordinary general meeting of the Company held on 6 October 2006, the following Existing Annual caps for the Existing Agreements for each of the three financial years ending 31 March 2007, 2008 and 2009, were approved by the Independent Shareholders.

Type of Transaction	Amount (HK\$)		
	Year ended 31 March 2007	Year ended 31 March 2008	Year ending 31 March 2009
Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing	166 million	184 million	195 million
Supply of steam by Dongguan Lee & Man to Lee & Man Manufacturing	1.56 million	1.56 million	1.56 million
Total:	166.56 million	185.56 million	196.56 million

D. NEW ANNUAL CAPS

The Company proposes the New Annual Caps for the New Agreements (in respect of which Independent Shareholders' approval is proposed to be sought at the EGM) for each of the three financial years ending 31 March 2009, 2010 and 2011 as follows:-

Type of Transaction	Amount (HK\$)		
	Year ending 31 March 2009	Year ending 31 March 2010	Year ending 31 March 2011
Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing (<i>Note 1</i>)	280 million	310 million	310 million
Purchase of waste paper by-products from Lee & Man Manufacturing by Dongguan Lee & Man (<i>Note 2</i>)	3 million	3 million	3 million
Supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing (<i>Note 3</i>)	10 million	12 million	12 million
Total:	293 million	325 million	325 million

Notes:

1. The relevant caps 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 2005, 2006 and 2007; (ii) the estimated amount of transactions for the financial year ended 31 March 2008; and (iii) the anticipated amount of transactions and price for the finished goods (taking into account the criteria set out in section B above) for the three financial years ending 31 March 2009, 2010 and 2011, taking into account increase in the costs of fuel (in particular, coal) and raw materials required for the finished goods, the supply plan for Dongguan Lee & Man and the production plan and requirements of Lee & Man Manufacturing.
2. The relevant caps have been determined by reference to (i) the amount of historical transactions between the Group and Lee & Man Manufacturing for the two financial years ended 31 March 2005 and 2006; (ii) the anticipated amount of transactions and price for the waste paper by-products (taking into account the criteria set out in section B above) for the three financial years ending 31 March 2009, 2010 and 2011, taking into account the waste paper by-products anticipated to be generated by Lee & Man Manufacturing and the production plan and requirements of Dongguan Lee & Man. There was no historical amount for purchase of waste paper by-products from Lee & Man Manufacturing during the financial years ended 31 March 2007 and 2008 as such continuing connected transactions for such purchase were discontinued for regulatory reasons which have since been cleared.
3. The relevant caps have been determined by reference to the amount of historical transactions between the Group and Lee & Man Manufacturing for the three financial years ended 31 March 2005, 2006 and 2007; (ii) the estimated amount of transactions for the financial year ended 31 March 2008; and (iii) the anticipated amount of transactions and charges for steam and electricity (taking into account the criteria set out in section B above) for the three financial years ending 31 March 2009, 2010 and 2011, taking into account increase in the costs of fuel (in particular, coal) and the spare electricity and steam capacity of Dongguan Lee & Man and the production plan and requirements of Lee & Man Manufacturing. There was no historical amount for supply of electricity to Lee & Man Manufacturing during the financial years ended 31 March 2005, 2006, 2007 and 2008 as there were no continuing connected transactions for such supply.

For the purpose of the Listing Rules, the New Annual Caps in aggregate for the New Agreements will be aggregated with the annual caps under the Electricity Services Agreement and the Steam Services Agreement entered into between Jiangsu Paper, a wholly-owned subsidiary of the Company and Jiangsu Chemical, an associate of Mr. Lee Wan Keung, Patrick. The Aggregated Annual caps are as follows:

Type of Transaction	Amount		
	Year ending 31 March 2009	Year ending 31 March 2010	Year ending 31 March 2011
Transactions under the New Agreements	HK\$293 million	HK\$325 million	HK\$325 million
Transactions under the Electricity Services Agreement and the Steam Services Agreement	RMB54 million (approximately HK\$58.9 million)	RMB80 million (approximately HK\$87.2 million)	RMB60 million (approximately HK\$65.4 million)
Total (Aggregated Annual Cap)	HK\$351.9 million	HK\$412.2 million	HK\$390.4 million

E. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is a large-scale paper manufacturer and specializes in the production of linerboard and corrugating medium. Lee & Man Manufacturing is principally engaged in the manufacturing of corrugated paper packaging products in the PRC.

The New 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 Agreements (in terms of pricing policies and payment policies) are substantially the same as the terms of the transactions under the Existing Agreements save that the New Agreements also provide for purchase of waste paper (which is a by product of the finished goods) by, and supply of electricity (which is an ancillary product from production of steam) from, Dongguan Lee & Man. As compared to the Existing Caps, the New Caps cater for these additions to the New Agreements and reflect anticipated increase in amount and value of transactions and increased costs of fuel (in particular, cost of coal, which has almost doubled since 2004) and raw material required for the finished goods. The supply of steam in excess of those required for its own anticipated consumption requirement for supply to Lee & Man Manufacturing will enable the Group to general 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.

The Directors (excluding the independent non-executive Directors whose view will be set out in the circular having received advice from the IFA) consider the terms of each of the New 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 shareholders by the

independent non-executive Directors will be included in the circular to the Shareholders after they have received advice from the IFA.

F. GENERAL

Lee & Man Manufacturing is indirectly wholly owned by Mr. Lee Wan Keung, Patrick, the chairman of the Company and a Director, and therefore an associate of Mr. Lee. Accordingly, the transactions under the New Agreements constitute continuing connected transactions under the Listing Rules.

On 14 March 2008, Jiangsu Paper, a wholly-owned subsidiary of the Company and Jiangsu Chemical, an associate of Mr. Lee, entered into the Electricity Services Agreement and the Steam Services Agreement, details of which are set out in the Company's announcement dated 14 March 2008. Under the Listing Rules, the New Annual Caps in aggregate for the New Agreements will be aggregated with the annual caps under the Electricity Services Agreement and the Steam Services Agreement. As the Aggregated Annual Caps is more than 2.5% and less than 25% of the applicable percentage ratios in respect of the Company and is greater than HK\$10,000,000, the New Agreements and the New Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Save for the Existing Agreements, the Electricity Services Agreement and the Steam Services Agreement, the Company has confirmation from Mr. Lee 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 with the New Agreements. Mr. Lee and his associates will abstain from voting at the EGM of the Company to be convened for this purpose. 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 New Agreements and the New Annual Caps. 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 New Agreements are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole, whether the New Annual Caps are fair and reasonable, and how the Independent Shareholders should vote at the EGM.

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

G. DEFINITIONS

The following defined terms are used in this announcement:

"Aggregated Annual Caps"	the maximum aggregate annual consideration (i) to be received by the Group from Lee & Man Manufacturing for supply of finished goods, steam and electricity to Lee & Man Manufacturing, (ii) to be paid by the Group to Lee & Man Manufacturing for purchase of waste paper by-products, and (iii) under the Electricity Services Agreement and the Steam Services Agreement, for each of the three financial years ending 31 March 2009, 2010 and 2011, details of which are set out in Section D in this Announcement;
"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;
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among other things, the New Agreements and the New Annual Caps;
"Electricity Services Agreement"	the agreement dated 14 March 2008 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides electricity services to generate electricity for Jiangsu Chemical, details of which are set out in the Company's announcement dated 14 March 2008;
"Existing Agreements"	the Existing Finished Goods Agreement and the Existing Steam Agreement;
"Existing Annual Caps"	the maximum aggregate annual consideration to be received by the Group from Lee & Man Manufacturing for supply of finished goods and steam to Lee & Man Manufacturing for each of the three financial years ending 31 March 2007, 2008 and 2009, details of which are set out in Section C in this announcement;
"Existing Finished Goods Agreement"	the agreement dated 25 August 2006 entered into between Dongguan Lee & Man and Lee & Man Manufacturing pursuant

	to which Dongguan Lee & Man supplies finished goods (such as test liners and corrugated medium paper) to Lee & Man Manufacturing, details of which are set out in the Company's announcement dated 25 August 2006;
"Existing Steam Agreement"	the agreement dated 25 August 2006 entered into between Dongguan Lee & Man and Lee & Man Manufacturing pursuant to which Dongguan Lee & Man supplies steam to Lee & Man Manufacturing, details of which are set out in the Company's announcement dated 25 August 2006;
"Group"	the Company and its subsidiaries;
"IFA"	CIMB-GK Securities (HK) Limited, the independent financial advisers of the Company;
"Independent Board Committee"	a board committee comprising of the independent non-executive Directors of the Company to be constituted to make recommendations to the Independent Shareholders in respect of the New Agreements and the New Annual Caps;
"Independent Shareholders"	Shareholders other than Mr. Lee 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 Limited, a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company;
"Lee & Man Manufacturing"	Lee & Man Industrial Manufacturing Limited;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Lee"	Mr. Lee Wan Keung, Patrick, the chairman of the Company and a Director
"New Agreements"	the New Finished Goods Agreement and the New Steam and Electricity Agreement;
"New Annual Caps"	the maximum aggregate annual consideration to be received by the Group from Lee & Man Manufacturing for supply of finished goods, steam and electricity to Lee & Man Manufacturing, and to be paid by the Group to Lee & Man Manufacturing for purchase of waste paper by-products for each of the three financial years ending 31 March 2009, 2010 and 2011, details of which are set out in Section D in this Announcement;

"New Finished Goods Agreement"	the agreement dated 21 May 2008 entered into between Dongguan Lee & Man and Lee & Man Manufacturing for the supply by Dongguan Lee & Man of finished goods (such as test liners and corrugated medium paper) to Lee & Man Manufacturing and other members in its group and for the purchase by Dongguan Lee & Man of waste paper by-products from Lee & Man Manufacturing;
"New Steam and Electricity Agreement"	the agreement dated 21 May 2008 entered into between Dongguan Lee & Man, Lee & Man Manufacturing pursuant to which Dongguan Lee & Man supplies steam and electricity to Lee & Man Manufacturing;
"PRC"	the People's Republic of China;
"Shareholder(s)"	holder(s) of shares of the Company; and
"Steam Services Agreement"	the agreement dated 14 March 2008 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides steam services to generate steam for Jiangsu Chemical, details of which are set out in the Company's announcement dated 14 March 2008; and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

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

21 May 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, one non-executive director, namely Professor Poon Chung Kwong and two independent non-executive directors, namely Mr. Wong Kai Tung, Tony and Ms. Law Kar Shui Elizabeth.

** for identification purposes only*