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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)

**PLACING OF EXISTING SHARES AND  
SUBSCRIPTION FOR NEW SHARES  
AND RESUMPTION OF TRADING**

Placing Agent

**Morgan Stanley**

On 24 January 2007, the Vendor and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, 80,000,000 existing Shares at a price of HK\$18.50 per Share on behalf of the Vendor. The Placing Shares represent approximately 7.85% of the existing issued share capital of the Company and approximately 7.28% of the issued share capital of the Company as enlarged by the Subscription.

The Placing Shares will be placed by the Placing Agent to more than six independent professional, institutional and/or individual investors. The placees and their ultimate beneficial owners are or will be, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, third parties independent of the Company and connected persons of the Company who are not acting and will not act in concert (as defined in the Takeovers Code) with the Vendor or its associates (as defined under the Listing Rules). The Placing is subject to a number of conditions which, if not fulfilled or, alternatively, waived by the Placing Agent by completion, the Placing Agreement and the obligations of the Placing Agent thereunder will terminate and the Placing and the Subscription will not proceed. Each of the Vendor and the Company has furnished lock up undertakings to the Placing Agent.

Pursuant to the Placing, the Vendor and the Company have also entered into the Subscription Agreement under which the Vendor has conditionally agreed to subscribe for 80,000,000 new Shares at the Placing Price.

The shareholding of the Vendor in the issued share capital of the Company will be reduced from approximately 70.57% to approximately 62.72% upon completion of the Placing but before completion of the Subscription and will be increased from approximately 62.72% to approximately 65.44% upon completion of the Placing and the Subscription.

The Placing is effected to enable the Company to raise funds. The Company intends to use the estimated net proceeds of the Placing of approximately HK\$1.46 billion towards the establishment of a new production line. The Company is currently considering to establish a production facility in Vietnam with an annual production capacity 320,000 tons for containerboard and 150,000 tons for wood pulp. Based on current plans, this production facility in Vietnam is targeted to commence production in the last quarter of 2008 or first quarter of 2009. The Company has decided to assess options to diversify its production facilities to add to their current locations in the United States and the PRC. As Vietnam is a relatively low cost country, the Directors consider Vietnam to be a country which they should seriously consider to establish their production facilities.

**As the Placing and the Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 25 January 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26 January 2007.

**PLACING AGREEMENT**

Date: 24 January 2007

Vendor: Gold Best Holdings Ltd., the controlling shareholder of the Company which entire share capital is held by Trustcorp Limited 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 whom are directors of the Company), certain of their family members and other charitable objects.

Placing agent: Morgan Stanley & Co. International Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and their ultimate beneficial owners, are or will be third parties independent of the Company and connected persons of the Company.

\* for identification purposes

Company: The Company is also a party to the Placing Agreement.

#### **Number of Shares to be placed**

80,000,000 existing Shares, representing approximately 7.85% of the existing issued share capital of the Company and about 7.28% of the issued share capital as enlarged by the Subscription.

#### **Placing Price**

The Placing Price of HK\$18.50 per Share represents (i) a discount of approximately 5.23% to the closing price of HK\$19.52 per Share as quoted on the Stock Exchange on 24 January 2007, the last full trading day prior to the release of this announcement, and (ii) a discount of approximately 6.07% to the average closing price of HK\$19.696 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 24 January 2007. The net price of the Placement is HK\$18.248 per Share.

The Placing Price was determined after arm's length negotiation between the Vendor and the Placing Agent and the Directors (including the independent non-executive Directors) consider that the Placing Price to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

#### **Rights**

The Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto as at the date of the Placing Agreement, including the right to receive all dividends or other distribution declared, made or paid on or after the date of the Placing Agreement.

#### **Independence of the Placing Agent and the Placees**

The Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing.

The Placing Agent and the placees to be procured by the Placing Agent as well as their ultimate beneficial owners are or will be to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are or will be, third parties independent of the Company and connected persons of the Company who are not acting and will not act in concert (as defined under the Takeovers Code) with the Vendor or its associates (as defined in the Listing Rules).

#### **Conditions**

The obligation of the Placing Agent to proceed to completion of the Placing is conditional upon the following conditions being met:

- (a) there shall not have occurred any material breach of, or any event rendering untrue or inaccurate, any of the representations, warranties or undertakings under the Placing Agreement;
- (b) trading generally not having been suspended or materially limited on, or by, any of the New York Stock Exchange or the Stock Exchange;
- (c) trading of any securities of the Company not being suspended on any exchange or in any over the counter market (save for such suspension pending the issue of this announcement);
- (d) a material disruption in securities settlement, payment or clearance services in the Hong Kong, the PRC or the United States, not having occurred;
- (e) any moratorium on commercial banking activities not having been declared by Hong Kong, the PRC, Federal or New York State authorities; or
- (f) there not having occurred any outbreak or escalation of hostilities, declaration of a national emergency or war, or any change in financial markets, currency exchange rates or controls or any calamity or crisis that, in the Placing Agent's judgment, is material and adverse and which, singly or together with any other event specified in this clause, makes it, in the Placing Agent's judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Placing Shares on the terms and in the manner contemplated in the Placing Agreement;
- (g) the Subscription Agreement having been entered into by the parties thereto and not subsequently having been revoked, terminated or modified; and
- (h) receipt by the Placing Agent of documents including a certified copy of the Subscription Agreement in a form satisfactory to the Placing Agent.

If any of the conditions for completion of the Placing Agreement as set out in the Placing Agreement shall not have been fulfilled or, alternatively, waived by the Placing Agent by completion, the Placing Agreement and the obligations of the Placing Agent thereunder will terminate and the Placing will not proceed. **Shareholders and investors are therefore advised to exercise caution when dealing in Shares.**

#### **Completion of the Placing**

The parties expect that the Placing will be completed on 29 January 2007 (or such other date as the Company and the Placing Agent may agree in writing).

#### **Lock Up Undertakings**

The Vendor has undertaken to the Placing Agent that, except for the sale of the Placing Shares pursuant to the Placing Agreement, from the date of the Placing Agreement and on or prior to the date being 180 days after the Closing Date, the Vendor shall not without the prior written consent of the Placing Agent (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any share of the Company or any interests therein (including for the avoidance of doubt the Shares to be subscribed for by the Vendor under the Subscription Agreement) or any securities convertible into or exercisable or exchangeable for any such Shares or interests or (ii) enter into any swap or similar agreement that transfers to another, in whole or in part, the economic risk of ownership of such shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares in the Company or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

The Company has undertaken to the Placing Agent, and the Vendor has undertaken to the Placing Agent that it will procure the Company not to, from the date hereof and on and prior to the date being 180 days after the Closing Date (without the prior written consent of the Placing Agent) (i) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any share of the Company or any interests therein or any securities convertible into or exercisable or exchangeable for any such shares or interests or (ii) enter into any swap or similar agreement that transfers to another, in whole or in part, the economic risk of ownership of such shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares in the Company or such other securities, in cash or otherwise, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, provided that the Company may issue shares to the Vendor pursuant to and in accordance with the terms and conditions of the Subscription Agreement and any shares of the Company which may fall to be issued upon conversion of the convertible bonds issued by the Company prior to the date of the Placing and/or upon the exercise of any share options which have been or may be granted under the Company's share option plan.

#### **SUBSCRIPTION AGREEMENT**

Date: 24 January 2007

Subscriber: The Vendor

Issuer: The Company

#### **Number of Shares to be subscribed**

80,000,000 new Shares, representing approximately 7.85% of the existing issued share capital of the Company and about 7.28% of the issued share capital as enlarged by the Subscription.

#### **Subscription Price**

The subscription price per new Share is equivalent to the Placing Price of HK\$18.50 per Share. The Subscription Shares have a market value of approximately HK\$1.56 billion, based on the closing price of HK\$19.52 on 24 January 2007, the last full trading day in the Shares prior to this announcement. The net price of the Subscription is HK\$18.248 per Share.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable under the current market condition and in the interest of the Company and the Shareholders as a whole.

#### **General mandate to issue the Placing Shares**

The Placing Shares will be issued under the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed in the general meeting held on 15 August 2006. The Company has not issued any Shares pursuant to such general mandate.

#### **Ranking of the Placing Shares**

The Placing Shares, when fully paid, will rank *pari passu* in all respects with the Shares in issue on the completion date of the Subscription including the right to any dividends or distributions after the date of completion of the Subscription.

#### **Conditions of the Subscription:**

The Subscription is conditional upon:

- (1) completion of the Placing; and
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares.

In the event that the conditions are not fulfilled on or before 14 days after the date of the Subscription Agreement (or such later date as may be agreed between the parties) the Subscription Agreement and all rights and obligations hereunder will cease and terminate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

#### **Completion of the Subscription:**

Completion of the Subscription will take place within two business days following the fulfilment of all conditions listed above, in any event on or before 14 days from the date of the Placing Agreement.

#### **EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING:**

The shareholding structure of the Company before and after the Placing and the Subscription will be as follows:

Shareholders	Current		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Vendor	719,318,000	70.57%	639,318,000	62.72%	719,318,000	65.44%
Placees	–	–	80,000,000	7.85%	80,000,000	7.28%
Directors	1,822,000	0.18%	1,822,000	0.18%	1,822,000	0.16%
Public Shareholders other than Placees*	298,130,964	29.25%	298,130,964	29.25%	298,130,964	27.12%
Total	1,019,270,964	100.00%	1,019,270,964	100.00%	1,099,270,964	100.00%

\* Public Shareholders refer to Shareholders who are not Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules).

## REASON FOR THE PLACING AND THE SUBSCRIPTION

The Placing and the Subscription are being undertaken to supplement the Group's funding of its expansion and growth plan. The directors of the Company consider the Placing and the Subscription will provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

## USE OF PROCEEDS OF THE SUBSCRIPTION

The estimated net proceeds of the Placing is approximately HK\$1.46 billion and will be used towards the establishment of a new production line. The Company is currently considering to establish a production facility in Vietnam with an annual production capacity 320,000 tons for containerboard and 150,000 tons for wood pulp. Based on current plans, this production facility in Vietnam is targeted to commence production in the last quarter of 2008 or first quarter of 2009. The Company has decided to assess options to diversify its production facilities to add to their current locations in the United States and the PRC. As Vietnam is a relatively low cost country, the Directors consider Vietnam to be a country which they should seriously consider to establish their production facilities.

The net proceeds from the Subscription which are not immediately applied towards the establishment of the production facilities in Vietnam will be employed as general working capital (including the repayment of term revolving facilities).

## CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

The Company has not carried out other capital raising activities in the past 12 months from the date of this announcement.

## PRINCIPAL ACTIVITIES OF THE GROUP

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

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 24 January 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 25 January 2007.

## DEFINITIONS

"Company"	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Closing Date"	the date after the business day on which the conditions in the Placing Agreement has been satisfied but in any event no later than 29 January 2007
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Placing"	the placement of 80,000,000 existing Shares to independent investors at the Placing Price
"Placing Agent"	Morgan Stanley & Co. International Limited, which is a third party independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as such term is defined in the Listing Rules)
"Placing Agreement"	the placing agreement dated 24 January 2007 between the Company and the Placing Agent in respect of the Placing
"Placing Price"	the placing price of HK\$18.50 per Share
"Placing Shares"	80,000,000 existing Shares
"PRC"	the People's Republic of China
"Shares"	ordinary shares of HK\$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Vendor
"Subscription Agreement"	the subscription agreement dated 24 January 2007 between the Company and the Vendor in respect of the Subscription
"Subscription Price"	the subscription price of HK\$18.50 per Share
"Subscription Shares"	80,000,000 new Shares, subject to adjustment according to the number of Placing Shares successfully placed by the Placing Agent
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendor"	Gold Best Holdings Ltd., the controlling shareholder of the Company which entire share capital is held by Trustcorp Limited 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 whom are directors of the Company), certain of their family members and other charitable objects.

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

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

25 January 2007

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