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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)

**CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES IN FSGL
CONTINUING CONNECTED TRANSACTION
SHAREHOLDERS' LOANS TO FSGL**

The Board announces that on 24 August 2007, FSGL, L&M Industries and Well Boom have entered into the Subscription Agreement in respect of the investment in FSGL by Well Boom. Pursuant to the Subscription Agreement, L&M Industries and Well Boom will subscribe for 90 and 810 new FSGL Shares respectively. Upon Completion, Well Boom and the Company (through L&M Industries) will be interested in 81% and 19% respectively of the issued share capital of FSGL as enlarged by the allotment and issue of new FSGL Shares pursuant to the Subscription, and FSGL will no longer be a subsidiary of the Company.

On Completion and in accordance with the terms of the Subscription Agreement, Well Boom and L&M Industries will enter into the Option Agreement pursuant to which Well Boom will grant the Option to L&M Industries to purchase the Option Shares at the Purchase Price. In addition, FSGL, L&M Industries and Well Boom will enter into the Shareholders' Agreement.

Well Boom is an associate of the Controlling Shareholder and is therefore a connected person to the Company. Accordingly, the transaction contemplated under the Subscription Agreement is a connected transaction and the shareholders' loan(s) to be advanced pursuant to the Shareholders' Agreement is a continuing connected transaction under Chapter 14A of the Listing Rules, both of which are subject to approval by Independent Shareholders. A circular will be despatched to Independent Shareholders as soon as practicable.

The Board announces that on 24 August 2007, FSGL, L&M Industries and Well Boom have entered into the Subscription Agreement in respect of the investment in FSGL by Well Boom. The main terms of the Subscription Agreement are set out below.

**For identification only*

THE SUBSCRIPTION AGREEMENT

Date

24 August 2007

Parties

Issuer : FSGL

Subscribers : L&M Industries and Well Boom

Subscription of FSGL Shares

Pursuant to the Subscription Agreement, FSGL will allot and issue, and each of L&M Industries and Well Boom (each as to the number of shares set out below) will subscribe for the Subscription Shares as follows:

L&M Industries: 90 new FSGL Shares, representing approximately 9% of the entire issued share capital of FSGL. In addition to the 100 FSGL Shares already held by L&M Industries prior to the Subscription Agreement, L&M Industries will hold a total of 190 FSGL Shares, representing approximately 19% of the entire issued share capital of FSGL, as enlarged by the allotment and issue of new FSGL Shares pursuant to the Subscription.

Well Boom: 810 Shares, representing approximately 81% of the entire issued share capital of FSGL, as enlarged by the allotment and issue of new FSGL Shares pursuant to the Subscription.

Consideration

The Subscription Price for the FSGL Shares subscribed by L&M Industries in the amount of US\$90 (which is equal to the par value of the relevant Subscription Shares) will be paid to FSGL in cash on Completion and will be satisfied by internal resources of the Group. The consideration for the Subscription was arrived at after arm's length negotiation among FSGL, L&M Industries and Well Boom with reference to the higher of the par value of the Subscription Shares and the net liability position of FSGL as at 31 March 2007.

As at the date of this announcement, the shareholders' loans advanced to FSGL amount to approximately HK\$152 million and it is possible that further shareholders' loan of not exceeding HK\$48 million (thereby increasing the aggregate shareholders' loan to up to HK\$200 million) may be advanced to FSGL prior to Completion. On Completion L&M Industries will assign to Well Boom on a dollar-for-dollar basis 81% of the shareholders' loan in FSGL at that time which amount will not exceed HK\$162 million. The price for such shareholders' loan will be paid on or before 90 days from the date of Completion.

Condition Precedent

The Subscription Agreement is conditional upon the approval by Independent Shareholders in general meeting in accordance with the Listing Rules.

If the above condition has not been fulfilled by 31 December 2007 (or such other date agreed by the parties in writing), the Subscription Agreement will automatically terminate and none of the parties will have any claim against the other parties.

Rights of the Subscription Shares

The Subscription Shares will on issue rank equally with the existing FSGL Shares.

Completion

Completion will occur on the second business day after the condition referred to above is fulfilled or such other date as the parties agree in writing.

Other terms

Option Agreement

On Completion and in accordance with the terms of the Subscription Agreement, Well Boom and L&M Industries will enter into the Option Agreement pursuant to which Well Boom will grant the Option to L&M Industries to purchase the Option Shares at the Purchase Price. The consideration for the grant of the Option was agreed between L&M Industries and Well Boom to be a nominal sum of US\$1. The entering into Option Agreement is conditional upon completion of the Subscription.

The Option is exercisable in whole but not in part in the sole discretion of L&M Industries during the Option Period or at such earlier time that Well Boom agrees. If the Option is not exercised within the Option Period, it will automatically lapse. Upon exercise of the Option L&M Industries will have 55% attributable interest in the issued share capital of FSGL.

The exercise (or not exercise, as the case may be) of the Option will be subject to requirements under the Listing Rules. An announcement will be made as and when the Option is exercised (or not exercised, as the case may be) and the Company will comply with any relevant requirements under the Listing Rules.

Shareholders' Agreement

On Completion and in accordance with the terms of the Subscription Agreement, FSGL, L&M Industries and Well Boom will enter into the Shareholders' Agreement. The entering into Shareholders' Agreement is conditional upon completion of the Subscription.

Under the Shareholders' Agreement, the number of directors and the board composition of FSGL will be decided by its shareholders at general meeting. In addition, any transfer of shares by L&M Industries and Well Boom will be subject to the first right of refusal to purchase on same terms by the other.

Further, L&M Industries and Well Boom agreed that they will advance shareholders' loan(s) to FSGL for the funding of the Guangxi Project Company as and when requested by the board of directors of FSGL in stages depending on the progress of the forestry resources development. Such shareholders' loan(s) will be on a revolving basis and bearing interest at interest rates of not less than the Group's Costs of Funding. The total principal of shareholders' loan(s) to be advanced by L&M Industries over the next 3 years will not exceed HK\$1.65 billion and those advanced by Well Boom over the same period will not exceed HK\$1.35 billion. The shareholders' loan to be advanced by L&M Industries will be subject to a yearly cap of HK\$1.65 billion and the aggregate amount of shareholders' loan to be advanced by L&M Industries over the next 3 years will not exceed HK\$1.65 billion. The caps were determined by reference to L&M Industries' pro rata share of the current expected financial commitment to the whole project amounting to approximately HK\$3 billion for the next five years.

The advance and repayment of such shareholders' loan(s) including interest will depend on the cash requirement and cash flow of FSGL respectively, as well as the cash availability of L&M Industries and Well Boom. Accordingly, it is possible that at any one time the shareholders' loan(s) advanced to FSGL by L&M Industries and Well Boom may not be pro rata to their respective shareholding (as if the Option is exercised). Nevertheless, to the extent that the shareholders' loan(s) are not advanced on such pro rata basis, a pro rata position will be restored on the earlier of (i) L&M Industries holding a majority stake in FSGL or (ii) 8 years from the date of Completion (at which time the Option will lapse if not already exercised), whereby L&M Industries or Well Boom, as the case may be, will assign on a dollar-for-dollar basis the appropriate amount of shareholders' loan(s) to the other so that the shareholders' loan(s) advanced by both will be proportionate to their shareholding at that time. To the extent necessary, the Company will comply with the relevant requirements under the Listing Rules at that time.

As and when decided by the board of directors of FSGL in its sole discretion, L&M Industries and Well Boom will cause the share capital of the Guangxi Project Company to be increased to amount(s) that FSGL considers expedient so as to enable the shareholders' loan(s) to be channelled into the Guangxi Project Company to fund of its operations.

The Shareholders' Agreement and the potential shareholder loans to be made thereunder will constitute a continuing connected transaction which is subject to approval by the Independent Shareholders at the EGM.

SHAREHOLDINGS IN FSGL

The table below sets out the shareholding structures of FSGL before and upon Completion and upon exercise of the Option by L&M Industries:

Shareholder of FSGL	Number of FSGL Shares before Completion	Number of FSGL Shares upon Completion	Number of FSGL Shares assuming exercise of the Option
L&M Industries	100 (100%)	190 (19%)	550 (55%)
Well Boom	-	810 (81%)	450 (45%)
Total	<hr/> 100 (100%)	<hr/> 1,000 (100%)	<hr/> 1,000 (100%)

Upon Completion, Well Boom and the Company (through L&M Industries) will be interested in 81% and 19% respectively of the issued share capital of FSGL as enlarged by the allotment and issue of new FSGL Shares pursuant to the Subscription, and FSGL will no longer be a subsidiary of the Company.

INFORMATION ON FSGL

FSGL is the holding company of the Guangxi Project Company. The Guangxi Project Company is principally engaged in the business of forestry resources in the Guangxi Province of the PRC. The forestry resources include, amongst other things, acquire, grow, harvest and replant timber on commercial forestry plantations located in Guangxi Province. The commercial forests will, upon maturity, become a source supply for meeting the Company's growing demand for wood fibre for the production of paper and pulp. The Guangxi Project Company is a company at its start-up phase and has not yet commenced business operations. Under the current operating plan, Guangxi Project Company intends to acquire up to 150,000 hectares of commercial forests and the associated plantation land use rights. The Company intends to mitigate the financial risks relating to the execution of the operating plan by entering into the transaction.

Funds were applied to acquire commercial forestry plantations in Guangxi province, which are expected to be income generating upon its maturity. Accordingly, the consolidated net results of FSGL, the holding company of the Guangxi Project Company, under the Company's audited accounts was nil for the year ended 31 March 2006 and was approximately HK\$5.67 million loss for the year ended 31 March 2007. The consolidated net liability of FSGL and its subsidiaries as at 31 March 2007 under the Company's audited accounts was approximately HK\$3.73 million.

INFORMATION ON WELL BOOM

Well Boom is a holding company incorporated in the British Virgin Islands and wholly-owned by the Controlling Shareholder.

REASONS FOR AND BENEFIT OF THE TRANSACTION

Based on the latest development plan for the project undertaken by the Guangxi Project Company, it is currently expected that the financial commitment to the whole project would amount to approximately HK\$3 billion for the next five years. By adopting a prudent investment approach to the project, the Directors are of the view that the Subscription will enable the Company to minimise the related investment risks and its financial impact of the project to the Group as well as to contain the gearing position of the Group. Furthermore, the Shareholders' Agreement and the Option Agreement will enable the Company to monitor the progress of the project on one hand, and at its full discretion can resume a controlling interest in FSGL at the price of US\$1 per FSGL Share upon exercise of the Option. In this regard, the Directors are of the view that the transactions contemplated under the Subscription Agreement and the Shareholders' Agreement are in the interests of the Company and is on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

The transaction is expected to accrue a gain of approximately HK\$3 million (based on the audited accounts of the Group as at 31 March 2007). The proceeds to be received by the Group will be applied as general working capital.

GENERAL

The Group is a large-scale integrated paper and pulp manufacturer and specialises in production of containerboard and pulp.

Well Boom is an associate of the Controlling Shareholder and is therefore a connected person to the Company. Accordingly, the transactions contemplated under the Subscription Agreement is a connected transaction and the shareholders' loan(s) to be advanced pursuant to the Shareholders' Agreement is a continuing connected transaction under Chapter 14A of the Listing Rules, both of which are subject to approval by Independent Shareholders.

The granting of the Option is a de minimus transaction under Chapter 14A.31(2) of the Listing Rules and is exempt from reporting, announcement and Independent Shareholders' approval requirements. The exercise (or not exercise, as the case may be) of the Option will be a connected transaction subject to requirements of the Listing Rules. An announcement will be made as and when the Option is exercised (or not exercised, as the case may be) and the Company will comply with the relevant requirements under the Listing Rules

As at the date of this Announcement, the Controlling Shareholder and its associates holds 721,860,000 Shares, representing approximately 63.51% of the issued share capital of the Company. They are required under the Listing Rules to abstain from voting on the resolutions to approve the transactions contemplated under the Subscription Agreement and Shareholders' Agreement.

A circular containing, inter alia, (i) details of the transactions contemplated under the Subscription Agreement and the Shareholders' Agreement; (ii) a letter from the Independent Board Committee, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee; and (iv) a notice to convene the EGM to approve the

transactions contemplated under Subscription Agreement and the Shareholders' Agreement will be despatched to Independent Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms will have the following meanings:-

"Board"	the board of Directors;
"Company"	Lee & Man Paper Manufacturing Limited;
"Completion"	completion of the transaction contemplated under the Subscription Agreement;
"connected person"	has the meaning ascribed thereto in the Listing Rules;
"Controlling Shareholder"	Gold Best Holdings Limited, a Company incorporated in the British Virgin Islands and the controlling shareholder (as defined in the Listing Rules) of the Company;
"Directors"	the directors of the Company;
"EGM"	extraordinary general meeting to be convened by the Company for the approval of, among other things, the transactions contemplated under the Subscription Agreement and the Shareholders' Agreement;
"FSGL"	Fortune Sight Group Limited, in Company incorporated in the British Virgin Islands;
"FSGL Shares"	shares of US\$1 each in the share capital of FSGL;
"Group"	the Company and its subsidiaries;
"Group's Costs of Funding"	the costs to the Group to raise monies (by way of loan or otherwise) to fund the shareholders' loan to be advanced to FSGL under the Shareholders' Agreement;
"Guangxi Project Company"	廣西理文林業科技發展有限公司 (Guangxi Lee & Man Forestry Technology Limited), a wholly-owned foreign enterprise established in the PRC and wholly-owned by FSGL;
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, PRC;
"Independent Board Committee"	a committee of the Board comprising Mr. Wong Kai Tung Tony, Mr. Heng Kwo Seng and Ms. Law Kar Shui Elizabeth, being the independent non-executive Directors;

"Independent Shareholders"	Shareholders other than the Controlling Shareholder and its associates;
"L&M Industries"	Lee & Man Industries Company Limited, a company incorporated in the British Virgin Islands;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Option"	the option granted to L&M Industries to require Well Boom to sell all but not part of the Option Shares to L&M Industries and/or its nominee;
"Option Agreement"	the option agreement to be entered into between Well Boom and L&M Industries on Completion in respect of the Option;
"Option Period"	the period starting from 3 years after the date of Completion up to 8 years from the date of Completion;
"Option Shares"	360 FSGL Shares or such number of FSGL Shares which represents 36% interest in the issued share capital of FSGL as at the date of exercise of the Option;
"Purchase Price"	the price for the Option Shares, being US\$1 per Option Share;
"Shareholders"	holders of the Share(s);
"Shares"	ordinary shares of HK\$0.10 in the capital of the Company;
"Shareholders' Agreement"	the shareholders' agreement to be entered into between FSGL, L&M Industries and Well Boom on Completion in accordance with the terms of the Subscription Agreement;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription"	the subscription of 810 and 90 new FSGL Shares by Well Boom and L&M Industries respectively in accordance with the terms of the Subscription Agreement;
"Subscription Agreement"	the Subscription Agreement dated 24 August 2007 entered into between FSGL, L&M Industries and Well Boom in respect of, among other things, the Subscription;
"Subscription Price"	subscription price for the Subscription Shares, being US\$1 per Subscription Share;
"Subscription Shares"	900 FSGL Shares;
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules;

"US\$"	United States Dollars. For information only, US\$ have been translated into HK\$ as to US\$1 to HK\$7.8. No representation is made that such amounts were or could be exchanged at such rates;
"Well Boom"	Well Boom International Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Controlling Shareholder; and
"%"	per cent.

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

Hong Kong, 24 August, 2007

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.