



理 文 造 紙 有 限 公 司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

DISCLOSEABLE TRANSACTIONS
FORMATION OF JOINT VENTURE COMPANY
AND
ACQUISITION OF ASSETS

The Board announces that on 10 April 2007 Top Honour, an indirect wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Wise Sense relating to the regulation of the Joint Venture Company. The Joint Venture Company will be the holding company for a company to be established in Vietnam to engage principally in the production of linerboard and corrugating medium.	
Pursuant to the Joint Venture Agreement, Top Honour will hold a 75% equity interests and Wise Sense will hold the remaining 25% equity interests in the Joint Venture Company. Both parties agreed that they will advance the aggregate amount of US\$170 million (approximately HK\$1,326 million) to the Joint Venture Company (as to US\$127.5 million (approximately HK\$994.5 million) by Top Honour and US\$42.5 million (approximately HK\$331.5 million) by Wise Sense), by way of further subscription of shares or shareholder loan or a combination thereof (as decided by the board of directors of the Joint Venture Company), such amount to be advanced as and when requested by the board of directors of the Joint Venture Company on a pro-rata basis according to their respective shareholding.	
The Board further announces that the Joint Venture Company entered into the Acquisition Agreement with the Vendor on 10 April 2007 to purchase a main unit of paper machine for Paper Machine XV for EURO40,110,000 (approximately HK\$418,147,000) for the purpose of establishing a production line in Vietnam.	
Each of the transaction under the Joint Venture Agreement and the Acquisition Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Joint Venture Agreement and the Acquisition Agreement will be dispatched to Shareholders as soon as practicable.	

The Board considers that the material terms of the Joint Venture Agreement and the Acquisition are set out below:

THE JOINT VENTURE AGREEMENT

Date of the Agreement:	10 April 2007
Parties:	(a) Top Honour; (b) Wise Sense; (c) the Joint Venture Company; and (d) the Guarantors
	To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wise Sense and its ultimate beneficial owner, as well as the Guarantors, are Independent Third Parties.
Share capital of the Joint Venture Company and Further Funding:	The issued capital of the Joint Venture Company consists 100 shares of US\$1.00 each, of which 75 and 25 shares were subscribed in cash and issued to Top Honour and Wise Sense respectively. Both parties agreed that they will advance the aggregate amount of US\$170 million (approximately HK\$1,326 million) to the Joint Venture Company (as to US\$127.5 million (approximately HK\$994.5 million) by Top Honour and US\$42.5 million (approximately HK\$331.5 million) by Wise Sense, by way of further subscription of shares or shareholder loan or a combination thereof (as decided by the board of directors of the Joint Venture Company) such amount to be advanced as and when requested by the board of directors of the Joint Venture Company on a pro-rata basis according to their respective shareholding. The amount is determined by reference to what the parties expect to be requirements of the Joint Venture Company for its initial operations. By virtue of Top Honour's 75% equity interests in the Joint Venture Company, the Joint Venture Company is a subsidiary of the Company.
Business of the Joint Venture Company:	The Joint Venture Company will, through a wholly-owned subsidiary to be established in Vietnam, be principally engage in the production of linerboard and corrugating medium.
Composition of Board of Directors and Management:	The board of directors of the Joint Venture Company will consist of three directors, two of whom (including the chairman) shall be nominated by Top Honour and the other by Wise Sense. The management and control of the affairs of the Company will be vested in the managing director of the Joint Venture Company to be appointed by the board of directors of the Joint Venture Company.
Transfer of Shares in the Joint Venture Company:	Any transfer of shares and/or interests therein by Top Honour and Wise Sense will be subject to the first right of refusal to purchase on same terms by the other. Further, Wise Sense will not sell, transfer or otherwise dispose of all or part of its shares and/or any interest therein to any person other than Top Honour. If Wise Sense agrees to sell and Top Honour agrees to purchase the Shares, the sale price shall not exceed a price calculated based on a price earnings ration of 12 applying the earnings of the Joint Venture Company as stated in its latest audited accounts, and if no audited accounts is then available, the latest management accounts. Sale, transfer or disposal of any of shares in Wise Sense or any interests relating thereto shall also be subject to the consent of Top Honour.
Guarantee:	The Guarantors will jointly and severally guarantee the due and punctual payment of all amounts payable, and the obligations to be performed, by Wise Sense under the Joint Venture Agreement.

THE ACQUISITION AGREEMENT

Date:	10 April 2007
Parties:	(a) Vendor: The Vendor (b) Purchaser: The Joint Venture Company, a non-wholly owned subsidiary of the Company.
	To the best of the Directors knowledge and belief, the Vendor and its ultimate beneficial owner are Independent Third Parties. The Company came to know the Vendor through its reputation in the market.
Asset:	a main unit of a paper machine for Paper Machine XV to be assembled in Vietnam.
Consideration:	The consideration of EURO40,110,000 (approximately HK\$418,147,000) was agreed after arm's length negotiations between the Vendors and the Purchaser by reference to the current market value of paper machines. The Purchaser is required to pay 20% of the total consideration (EURO8,022,000 (approximately HK\$83,629,000)) as down payment against the Vendor's commercial invoice on or before 11 April 2007 by telegraphic bank transfer. The remaining 80% of the consideration will be paid to the Vendor by way of irrevocable and non-transferable letters of credit as follows: (a) 70% of the total consideration (EURO28,077,000 (approximately HK\$292,703,000)) will be paid pro rata upon each shipment against presentation of shipping documents; and (b) 10% of the total consideration (EURO4,011,000 (approximately HK\$41,815,000)) will be paid pro rata against presentation of, for the first 5%, erection documents and, for the remaining 5%, acceptance documents;
Other Information:	The Acquisition Agreement was entered into in the ordinary and usual course of business of the Group.

REASONS FOR AND BENEFIT OF THE FORMATION OF THE JOINT VENTURE COMPANY AND THE ACQUISITION	
The Company has decided 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 an appropriate country for the establishment of the Group's production facilities. The PM XV Assets are purchased for the establishment of the production facilities in Vietnam and will further enhance the Group's annual production capacity of linerboard and corrugating medium products. The production capacity of Paper Machine XV is approximately 400,000 MT and will, together with the paper machines acquired by the Group as previously announced in the Company's announcement dated 30 March 2006 increase the capacity of the Group's annual capacity to approximately 3,430,000 MT. The Group expects to fund Top Honour's contribution to the Joint Venture Company through its internal resources. It expects that the Joint Venture Company will fund the Acquisition through its internal resources. The Directors are of the view that each of the transaction contemplated in the Joint Venture Agreement and the Acquisition Agreement is in the interests of the Company and the terms of each of the Joint Venture Agreement and the Acquisition Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.	
GENERAL	
The Group is a large-scale paper manufacturer and specialises in production of linerboard and corrugating medium. To the best of the Directors' knowledge and belief having made all necessary enquiries:	
(a)	Wise Sense is a holding company incorporated in the British Virgin Islands and owned by the Guarantors; and
(b)	the Vendor is incorporated in Finland and whose shares are listed on the New York Stock Exchange and the Helsinki Stock Exchange. It specialises in pulp and paper industry process, machinery, equipment and related processes.
Each of the transaction under the Joint Venture Agreement and the Acquisition Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Joint Venture Agreement and the Acquisition Agreement will be dispatched to Shareholders as soon as practicable.	
DEFINITIONS	
In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:	
"Acquisition"	the acquisition of the PM XV Assets pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the agreement dated 10 April 2007, entered into between Metso Paper Inc. as the Vendor and the Joint Venture Company relating to the acquisition of Paper Machine XV;
"Board"	the board of Directors;
"Company"	Lee & Man Paper Manufacturing Limited;
"Directors"	the directors of the Company;
"EURO"	Euro dollars. For information only, EURO have been translated to HK\$ as to 1 EURO to HK\$10.425. No representation is made that such amounts were or could be exchanged at such rates;
"Group"	the Company and its subsidiaries;
"Guarantors"	three individuals who, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, own all the issued share capital of Wise Sense;
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, PRC;
"Independent Third Parties"	independent third parties not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates;
"Joint Venture Agreement"	the joint venture agreement dated 10 April 2007 entered into between Top Honour, Wise Sense, the Joint Venture Company and the Guarantors in relation to the regulation of the Joint Venture;
"Joint Venture Company"	Joint Creation Limited, a company incorporated in the British Virgin Islands;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"MT"	metric tonnes;
"Paper Machine XV"	a linerboard paper machine custom built in accordance with the specifications of the Company to be assembled in Vietnam in accordance with the Acquisition Agreement;
"PM XV Assets"	a main unit of a paper machine for Paper Machine XV to be purchased by the Purchaser pursuant to the Acquisition Agreement;
"Shareholders"	holders of the Share(s);
"Shares"	ordinary shares of HK\$0.10 in the capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Top Honour"	Top Honour Industries Limited, a company incorporated in the British Virgin Islands;
"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;
"Vendor"	Metso Paper Inc.;
"Wise Sense"	Wise Sense Investments Limited, a company incorporated in the British Virgin Islands; and
"%"	per cent.
By order of the Board Lee & Man Paper Manufacturing Limited Lee Wan Keung Chairman	
Hong Kong, 10 April 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 Kwoo Seng and Ms. Law Kar Shui Elizabeth.	
* For identification only	