

LEE & MAN PAPER MANUFACTURING LIMITED

理文造紙有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

DISCLOSEABLE TRANSACTION
ACQUISITION OF ASSETS

The Directors refer to the Company's announcement dated 26 March 2004 and wish to announce that its indirect wholly-owned subsidiary, Lee & Man Industries, entered into the Agreement with the Vendors on 28 April 2004, both Independent Third Parties, to purchase the Asset as paper machine VII at the consideration of US\$28,118,000 (approximately HK\$219,320,400).

The Acquisition contemplated under the Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Acquisition will be sent to shareholders of the Company as soon as possible.

The Group also proposes Further Acquisitions in relation to paper machine VII. The Stock Exchange has confirmed that the Further Acquisitions will be aggregated with the Acquisition. To the extent any individual Further Acquisition constitutes a discloseable transaction under the Listing Rules, the Company shall comply with the Listing Rules in that regard. Where Further Acquisitions, when aggregated with the Acquisition, constitute a major or other type of notifiable transaction under the Listing Rules, the Company shall comply accordingly. Otherwise, Further Acquisitions will not be the subject of further announcement or shareholder approval under the Listing Rules.

THE AGREEMENT

Date: 28 April 2004

Parties: Vendors: Kanematsu Corporation and Mitsubishi Heavy Industries, Ltd., both being companies incorporated in Japan and Independent Third Parties. To the best of the Directors knowledge and belief, the beneficial owners in each of the Vendors are also not connected persons (as such term is defined in the Listing Rules) of the Company

Purchaser: Lee & Man Industries Company Limited, an indirect wholly-owned subsidiary of the Company

Asset: a main unit of a paper machine

Consideration: The consideration of US\$28,118,000 (approximately HK\$219,320,400) was agreed after arm's length negotiations between the Vendors and the Purchaser by reference to the current market value of paper machines and shall be payable in cash as follows:

(i) US\$5,623,600 (approximately HK\$43,864,080) on 30 April 2004;

(ii) US\$19,682,600 (approximately HK\$153,524,280) by 15 May 2004; and

(iii) US\$2,811,800 (approximately HK\$21,932,040) within 6 months from the Acceptance Certification Date.

Terms: The Agreement is subject to the initial downpayment of US\$5,623,600 (approximately HK\$43,864,080) being paid on 30 April, 2004.

The Vendors agree to sell and the Purchaser agree to purchase the Asset.

The Agreement was entered into in the ordinary and usual course of business of the Group.

PROPOSED FURTHER ACQUISITIONS OF ASSETS

The Group plans to acquire production equipment (such as stock preparation unit and pumps) in the coming 12 months from the date of the Agreement in relation, specifically, to paper machine VII.

The Stock Exchange has confirmed that the Further Acquisitions within 12 months from the date of the Agreement will be aggregated with the Acquisition. To the extent any individual Further Acquisition constitutes a discloseable transaction under the Listing Rules, the Company shall comply with the Listing Rules in that regard. Where Further Acquisitions, when aggregated with the Acquisition, constitute a major or other type of notifiable transaction under the Listing Rules, the Company shall comply accordingly. Otherwise, Further Acquisitions will not be the subject of further announcement or shareholder approval under the Listing Rules.

REASONS FOR THE ACQUISITION

The Asset was purchased as the main unit of paper machine VII as disclosed in the Announcement to enhance the Group's annual production capacity of linerboard and corrugating medium. Having regard to the current market values of paper machines, the Directors consider the terms of the Acquisition fair and reasonable and the Acquisition is made in the best interest of the Shareholders.

INFORMATION ON THE GROUP

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

GENERAL

As at the date of this announcement,

- (a) the executive directors of the Company are Mr. Lee Wan Keung, Patrick, Mr. Lee Man Chun, Raymond and Mr. Tan Sik Him, Alexander; and
- (b) the independent non-executive directors of the Company are Mr. Wong Kai Tung, Tony and Mr. Heng Kwoo Seng.

The Acquisition contemplated under the Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Acquisition will be sent to shareholders of the Company as soon as possible.

DEFINITIONS

The following defined terms are used in this announcement:

"Acceptance Certification Date" the date when the Acceptance Certificate as defined in the Agreement is issued

"Acquisition" the acquisition of the Asset pursuant to the Agreement

"Agreement" the agreement dated 28 April 2004, entered into between Kanematsu Corporation and Mitsubishi Heavy Industries, Ltd. as Vendors and the Purchaser relating to the Acquisition

"Announcement" the announcement of the Company dated 26 March 2004

"Asset" a paper machine to be purchased by the Purchaser pursuant to the Agreement

"associates" has the meaning ascribed thereto in the Listing Rules

"Board" the board of Directors

"Company" Lee & Man Paper Manufacturing Limited

"Directors" the directors of the Company

"Further Acquisitions" further acquisitions of production equipment and services for paper machine VII

"Group" the Company and its subsidiaries

"HK\$" Hong Kong dollars, the lawful currency of Hong Kong

"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

"Lee & Man Industries" or "Purchaser" Lee & Man Industries Company Limited, an indirect wholly-owned subsidiary of the Company

"Listing Rules" the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Shares" ordinary shares of HK\$0.10 in the capital of the Company

"Shareholders" holders of the Share(s)

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"US\$" United States dollars, the lawful currency of the United States. For information only, US\$ have been translated to HK\$ as to US\$1 to HK\$7.80. No representation is made that such amounts were or could be exchanged at such rates

"Vendors" Kanematsu Corporation and Mitsubishi Heavy Industries, Ltd, vendors of production equipment

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