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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)

DISCLOSEABLE TRANSACTION

On 15 October 2008, the Vendor and the Purchaser entered into the Agreement whereby the Vendor agreed, inter alia, to transfer the Sale Shares to the Purchaser for an aggregate consideration of HK\$200 million.

The Transaction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing details of the Transaction will be despatched to the Shareholders as soon as practicable.

Terms of the Agreement

Date: 15 October 2008

Parties:

- (i) the Vendor, an indirect wholly-owned subsidiary of the Company.
- (ii) the Purchaser - to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

Terms: The consideration for the Sale Shares shall be satisfied by the Purchaser by way of a cash payment of HK\$200 million and to be satisfied as follows:-

- (a) HK\$20 million on Completion;
- (b) HK\$30 million by 31 December 2008;
- (c) HK\$30 million by 31 March 2009;
- (d) HK\$30 million by 30 June 2009;
- (e) HK\$30 million by 30 September 2009;
- (f) HK\$30 million by 31 December 2009; and
- (g) HK\$30 million by 31 March 2010.

Completion: Completion took place immediately after signing of the Agreement on 15 October 2008. Title in and ownership of the Sale Shares transferred on Completion. USLM and HKLM are no longer subsidiaries of the Company immediately after Completion.

INFORMATION ON USLM AND HKLM

USLM and HKLM are companies established in Colorado, the United States of America and were both indirect wholly-owned subsidiaries of the Company immediately prior to Completion. Both companies were mainly engaged in the manufacture of paper pulp outside China and the Asian region.

REASONS OF AND BENEFITS FOR THE TRANSACTION

The Transaction provides a good opportunity to enable the Group to dispose of its interests in USLM and HKLM for cash so as to allow the Group to pursue its principal business in China with better return. Upon completion of the disposal of interests in USLM and HKLM, the Group will continue to focus on its principal businesses in China. The sale proceeds to be received create additional financial resources for the Group and will be used as working capital to support further development of the Group's principal businesses in China. There are no restrictions which apply to the subsequent sale of the Sale Shares.

Details of the net loss (before and after taxation and extraordinary items) attributable to the Sale Shares for the two financial years ending 31 March 2008 immediately preceding the transaction are approximately:

	<u>2008</u>	<u>2007</u>
Before taxation and extraordinary items	HK\$1 million	HK\$53 million
After taxation and extraordinary items	HK\$3 million	HK\$42 million

The unaudited net assets of the Sale Group as at 30 September 2008 was HK\$199 million, the estimated gain arising from the disposal of the Sale Shares is approximately HK\$1million, being the difference between the net asset value of the Sale Group and the consideration for the Sale Shares of HK\$200 million.

The consideration of the Transaction is based on the net book value of the assets of the Sale Group and in view of the above, the Directors are of the view that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL INFORMATION

The Group is a large-scale paper manufacturer and specializes in the production of containerboard.

To the best of the knowledge, information and belief of the Vendor, after having made all reasonable enquiries, the Purchaser is engaged in the business of paper manufacturing.

The Transaction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing details of the Transaction will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:-

"Agreement"	the agreement dated 15 October 2008 entered into between the Vendor and the Purchaser relating to the Transaction;
"Board"	the board of directors of the Company;
"Company"	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
"Completion"	completion of the Transaction under the Agreement;
"Connected Person(s)"	the meaning ascribed thereto in the Listing Rules;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries (other than the Sale Group);
"HKLM"	HKLM Acquisition, Inc., a company established in Colorado, the United States of America, and an indirect wholly-owned subsidiary of the Company immediately prior to Completion;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Purchaser"	Worthy Pick Group Limited, a company incorporated in the British Virgin Islands;
"Sale Group"	USLM, HKLM and their subsidiaries;
"Sale Shares"	1,000 shares of par value of US\$1.00 each in the capital of USLM and 1,000 shares of par value US\$1.00 each in the capital of HKLM, representing the entire issued share capital of USLM and HKLM respectively;
"Shareholders"	shareholders of the Company;

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"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Transaction"	the transfer of the Sale Shares as contemplated thereunder in the Agreement;
"USLM"	USLM Acquisition, Inc., a company established in Colorado, the United States of America, and an indirect wholly-owned subsidiary of the Company immediately prior to Completion;
"Vendor"	Deepfaith International Limited, an indirect wholly-owned subsidiary of the Company;
"HK\$"	Hong Kong dollars; and
"US\$"	United States dollars.

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

Hong Kong, 16 October 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 four independent non-executive directors, namely Mr Wong Kai Tung Tony, Ms Law Kar Shui Elizabeth, Mr Peter A Davies and Mr Chau Shing Yim David.

** for identification purposes only*