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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 AND CONNECTED TRANSACTION ACQUISITION OF TISSUE PAPER BUSINESS

On 11 November 2014, the Vendors and the Purchaser entered into the Sale and Purchase Agreement whereby the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Shareholders' Loan, at the aggregate Consideration of HK\$404,200,000.

The Sale Shares represent 100% of the issued share capital of the Target Company, which is wholly-owned by the Vendors, Mr. Lee Wan Keung Patrick and Mrs. Lee Wong Wai Kuen in the proportion of 25% and 75%, respectively.

Mr. Lee Wan Keung Patrick is the ultimate controlling shareholder of the Company as he indirectly holds approximately 54.3% of the total issued share capital of the Company as at the date of this announcement. Mrs. Lee Wong Wai Kuen is the spouse of Mr. Lee Wan Keung Patrick. Mr. Lee Wan Keung Patrick and Mrs. Lee Wong Wai Kuen are therefore connected persons of the Company under Rule 14A.07 of the Listing Rules and the transaction contemplated under the Sale and Purchase Agreement will constitute a connected transaction of the Group.

The applicable percentage ratios under Rule 14A.76 of the Listing Rules for the Sale and Purchase Agreement is above the de minimis threshold of 0.1%, but is less than 5%. The transactions contemplated under the Sale and Purchase Agreement are therefore only subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purposes only

INTRODUCTION

On 11 November 2014, the Vendors and the Purchaser entered into the Sale and Purchase Agreement whereby the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Shareholders' Loan, at the aggregate Consideration of HK\$404,200,000.

SALE AND PURCHASE AGREEMENT

The details of the Sale and Purchase Agreement are set out as follows:

Date: 11 November 2014

Purchaser: Able Advance International Limited, a wholly owned subsidiary of the Company

Vendors: (1) Mr. Lee Wan Keung Patrick
(2) Mrs. Lee Wong Wai Kuen

Nature of Transaction:

The Sale Shares comprise 100% of the total issued share capital of the Target Company held by the Vendors, Mr. Lee Wan Keung Patrick and Mrs. Lee Wong Wai Kuen in the proportion of 25% and 75%, respectively.

The Vendors have also agreed to assign the Shareholders' Loan to the Purchaser simultaneously with the sale of the Sale Shares pursuant to the Deed of Assignment of Shareholders' Loan.

Conditions Precedent:

Completion of the sale and purchase of the Sale Shares and the assignment of Shareholders' Loan is subject to the following conditions precedent (summarized below):

- (a) there being no change in the shareholding structure of the Target Group;
- (b) if necessary, the obtaining of all third party or regulatory consents, approvals and filings for the transfer of the Sale Shares;
- (c) the constitutional documents of the Target Company not restricting the transfer of the Sale Shares;
- (d) there being no material adverse change to the business, operations or assets of the Target Group; and
- (e) the representations and warranties of the Vendors as set out in the Sale and Purchase Agreement being true, accurate and not misleading in all material respects on Completion.

Consideration and payment:

The Consideration was determined after negotiations between the parties to the Sale and Purchase Agreement. As the Target Group is currently at development stage and has not begun generating revenue, the Consideration of HK\$404,200,000 reflects the sum of (i) the par value of the Target Company's total issued share capital of approximately HK\$780 (being 100 shares multiplied by the par value of US\$1 per share) and (ii) the amount of the Shareholders' Loan outstanding at date of completion (on a dollar-for-dollar basis) in the amount of HK\$404,199,220.

The Consideration will be paid in cash (utilizing the internal financial resources of the Group) on or before 9 January 2015 by wire transfer to the Vendor's bank account.

Completion:

Subject to the conditions precedent, completion of the Sale and Purchase Agreement shall take place on 11 November 2014.

INFORMATION ON THE TARGET COMPANY

The Target Company is the ultimate holding company of a tissue paper business established in the PRC. The Target Company holds 100% of the total issued share capital of Million Profit, which in turn holds 100% of the equity interest in Chongqing L&M. Chongqing L&M is engaged in the manufacturing and sale of tissue paper products in the PRC. The Target Group owns two production lines located in Chongqing, PRC, with an aggregate annual production capacity of around 30,000 metric tons.

The Target Company also holds 100% of the total issued share capital of Finest Creation, which in turn holds 100% of the total issued share capital of L&M Brand. L&M Brand will hold the legal rights to the brand name and intellectual property rights of the Target Group.

As at 31 July 2014, based on the unaudited consolidated management accounts of the Target Group, the Target Group had an unaudited net liability of HK\$11,071,394. As the Target Group has not yet commenced commercial production, no revenue or profit was recognised for the Target Company for the two financial years ended 31 December 2012 and 2013. Production trial test-runs have already commenced in the third quarter of 2014.

REASONS AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT

The Group is principally engaged in large-scale paper manufacturing and specializes in the production of linerboard and corrugated medium.

After completion of the Sale and Purchase, the Group will hold 100% of the issued share capital of the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company.

The acquisition of the Target Company will provide the Group with an opportunity to expand its paper products range and enter the tissue paper market. The Directors believe that it is in the interest of the Group to diversify its line of paper based products and that this will in turn increase the revenue base of the Group. As a paper manufacturer, the Group is in a position to take advantage of its existing economies of scale to lower the costs of manufacturing tissue paper products which will provide a more competitive edge for marketing its tissue paper products.

GENERAL

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement together with the Deed of Assignment of Shareholders' Loan and the transactions contemplated therein are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

No Director has a material interest in the Sale and Purchase Agreement and the Deed of Assignment of Shareholders' Loan or is required to abstain from voting on the Board resolutions in relation to the same. Notwithstanding the above, each of Mr. Lee Man Chun Raymond, Mr. Lee Man Bun and Mr. Li King Wai Ross have voluntarily abstained from voting on the relevant Board resolutions approving the Sale and Purchase Agreement and the Deed of Assignment of Shareholders' Loan to avoid any impression of there being a conflict of interest in the matters to be resolved.

IMPLICATIONS UNDER THE LISTING RULES

The Sale Shares represent 100% of the issued share capital of the Target Company, which is wholly-owned by the Vendors, Mr. Lee Wan Keung Patrick and Mrs. Lee Wong Wai Kuen in the proportion of 25% and 75%, respectively.

Mr. Lee Wan Keung Patrick is the ultimate controlling shareholder of the Company as he indirectly holds approximately 54.3% of the total issued share capital of the Company as at the date of this announcement. Mrs. Lee Wong Wai Kuen is the spouse of Mr. Lee Wan Keung Patrick. Mr. Lee Wan Keung Patrick and Mrs. Lee Wong Wai Kuen are therefore connected persons of the Company under Rule 14A.07 of the Listing Rules and the transaction contemplated under the Sale and Purchase Agreement will constitute a connected transaction of the Group.

The applicable percentage ratios under Rule 14A.76 of the Listing Rules for the Sale and Purchase Agreement is above the de minimis threshold of 0.1%, but is less than 5%. The transactions contemplated under the Sale and Purchase Agreement are therefore only subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

The following defined terms are used in this announcement:

“Board”	the board of Directors
“Chongqing L&M”	Chongqing Lee & Man Tissue Manufacturing Limited 重慶理文衛生用紙製造有限公司, a company established under the laws of the PRC and which is wholly-owned by Million Profit
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Deed of Assignment of Shareholders’ Loan”	the deed of assignment of shareholders’ loan dated 11 November 2014 between the Vendors and the Purchaser, pursuant to which the Vendors will assign the Shareholders’ Loan to the Purchaser
“Director(s)”	the director(s) of the Company
“Finest Creation”	Finest Creation Limited, a company incorporated under the laws of the British Virgin Islands and which is wholly-owned by the Target Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“L&M Brand”	Lee & Man Brand Development Limited, a company incorporated under the laws of Hong Kong and which is wholly-owned by Finest Creation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Profit”	Million Profit Corporation Limited, a company incorporated under the laws of Hong Kong and which is wholly-owned by the Target Company
“PRC”	the People’s Republic of China
“Purchaser”	Able Advance International Limited, a limited liability company incorporated under the laws of the British Virgin Islands, and a wholly-owned subsidiary of the Company

“Sale and Purchase Agreement”	the agreement dated 11 November 2014 entered into between the Vendors and the Purchaser for the sale and purchase of the Sale Shares
“Sale Shares”	the 100 shares in the Target Company (representing 100% of the total issued share capital of the Target Company) to be acquired by the Purchaser under the Sale and Purchase Agreement
“Shareholder(s)”	the holder(s) of shares of the Company
“Shareholders’ Loan”	the shareholders’ loan in the aggregate amount of HK\$404,199,220 (at date of completion) together with interest accrued, if any, outstanding from Target Company to the Vendors, and to be assigned by the Vendors to the Purchaser pursuant to the Deed of Assignment of Shareholders’ Loan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guang Kai Limited, a company incorporated in the British Virgin Islands with limited liability and which is owned as to 25% by Mr. Lee Wan Keung Patrick and 75% by Mrs. Lee Wong Wai Kuen as at the date of this announcement
“Target Group”	the Target Company, Million Profit, Chongqing L&M, Finest Creation and L&M Brand
“Vendors”	Mr. Lee Wan Keung Patrick and Mrs. Lee Wong Wai Kuen collectively
“%”	per cent

By order of the Board
Lee & Man Paper Manufacturing Limited
Lee Man Chun Raymond
Chairman

11 November 2014

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Lee Man Chun Raymond, Mr. Lee Man Bun, Mr. Kunihiro Kashima and Mr. Li King Wai Ross, two non-executive directors, namely Professor Poon Chung Kwong and Mr. Yoshio Haga, and three independent non-executive directors, namely Mr. Wong Kai Tung Tony, Mr. Peter A Davies and Mr. Chau Shing Yim David.