

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 CONSTRUCTION CONTRACT

On 25 February 2014, the Company and Joint Creation (a wholly-owned subsidiary of the Company) entered into the Construction Contract with the Contractor under which the Contractor has agreed to undertake the Construction Work for the Group at the Contract Price.

The Directors consider that the terms of the Construction Contract and the Contract Price are fair and reasonable and in the interests of the Company and its shareholders as a whole. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties.

As the applicable percentage ratios under the Listing Rules in respect of the Construction Contract exceed 5% but are less than 25%, the transaction under the Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

CONSTRUCTION CONTRACT

On 25 February 2014, the Company and Joint Creation (a wholly-owned subsidiary of the Company) entered into the Construction Contract with the Contractor under which the Contractor has agreed to undertake the Construction Work for the Group at the Contract Price.

* *For identification purposes only*

The principle terms of the Construction Contract are as follows:

Date

25 February 2014

Parties

- (1) Joint Creation (a wholly-owned subsidiary of the Company);
- (2) the Company (as guarantor of Joint Creation's obligations); and
- (3) the Contractor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties.

Based on information publicly available and provided by the Contractor, the Contractor is principally engaged in undertaking factory and plant building construction work in the PRC and overseas including Vietnam, which includes the provision services through engineering and procurement contracts (EPC). The Directors considered that the Contractor would be suitable for carrying out the Construction Work as the Contractor is a reputable company listed on the Shenzhen Stock Exchange and has expertise and a track record of carry out construction work in Vietnam.

Construction Work

Pursuant to the Construction Contract, the Contractor is responsible for constructing a paper packaging manufacturing facility with an annual manufacturing capacity of approximately 400,000 tonnes which shall be located in Houjiang province, Vietnam (后江省，越南) with a gross construction floor area of approximately 97,350 square meters.

Bank Performance Guarantee and Bank Quality Assurance Guarantees

The Contractor shall provide Joint Creation with the Bank Performance Guarantee for a value of 10% of the Contract Price, to guarantee the performance of the Construction Contract by the Contractor.

In addition, the Contractor shall also provide Joint Creation with the Bank Quality Assurance Guarantee for a value of 5% of the Contract Price, to guarantee the quality of the Construction Work for a period of one year from the date the relevant tests and inspections on the Construction Work are completed under the Construction Contract.

Guarantee from the Company

The Company has entered into the Construction Contract to guarantee the payment and performance obligations of Joint Creation under the Construction Contract. Accordingly, in the event Joint Creation defaults in its payment or performance obligations under the Construction Contract, the Contractor may take action directly against the Company.

Contract Price

The Contract Price is an initial agreed total amount for the Construction Work of RMB911,034,160 (approximately equivalent to HK\$1,166,123,700) which includes, among other things, design, construction of infrastructure, installation of facilities, purchasing of equipment, construction management and other service fees (but does not include local government fees, government testing fees and inspection fees). The Contract Price was determined after arm's length negotiations with the Contractor and is based on normal commercial terms with reference to the expertise, experience and market position of the Contractor, along with the complexity and capacity of the construction work involved.

The Contract Price is subject to upward or downward adjustment depending on any change in circumstances of the construction project and any changes to the actual work to be undertaken in accordance with the approved designs and drawings of the Construction Work. Any increase in the Contract Price is in any event, subject to agreement with Joint Creation and the Company and shall be confirmed in writing.

The Contract Price shall be financed by the internal resources and, where appropriate, bank borrowings of the Group.

Payment terms

An initial payment of 20% of the Contract Price is payable by Joint Creation within 15 days after the Contractor has delivered the Bank Performance Guarantee.

The remainder of the Contract Price shall be paid by Joint Creation depending on the progress of the Construction Work and in phases in accordance with the terms of separate sub-contracts to be entered into between the Contractor, Joint Creation and the Company in due course in relation to the design, construction of infrastructure, installation of facilities and purchasing of construction materials relating to the Construction Work.

Duration of the Construction Work

According to the Construction Contract, the Construction Work is expected to take about 24 months to complete from the time all relevant sub-contracts are entered into and construction work commences.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION CONTRACT

The Company considers that the construction of a new paper packaging manufacturing facility in Vietnam allows the Group to take advantage of the lower cost of labour compared to the PRC and to also expand its manufacturing facilities to increase future revenue from sales of its paper packaging products to overseas markets.

The Directors consider that the terms of the Construction Contract and the Contract Price are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER LISTING RULES

As the applicable percentage ratios under the Listing Rules in respect of the Construction Contract exceed 5% but are less than 25%, the transaction under the Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

If the amounts payable under the Construction Contract have to be adjusted in the course of construction, the Company will re-assess its compliance with the disclosure requirements of the Listing Rules and will make further announcement as required under the Listing Rules.

GENERAL INFORMATION

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

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Bank Performance Guarantee”	the bank performance guarantee for a value of 10% of the Contract Price, to be issued by one of the five major commercial banks in the People Republic of China and effective from the date the Contractor commences the Construction Work to the date the relevant tests and inspections on the Construction Work are completed under the Construction Contract
“Bank Quality Assurance Guarantee”	the bank performance guarantee for a value of 5% of the Contract Price, to be issued by one of the five major commercial banks in the People Republic of China and effective for a period of one year from the date the relevant tests and inspections on the Construction Work are completed under the Construction Contract
“Board”	the board of Directors
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 2314)
“Construction Contract”	the construction contract entered into between the Contractor and the Company on 25 February 2014 in respect of the Construction Work
“Construction Work”	the construction work to be carried out under the Construction Contract involving the construction of a paper packaging manufacturing facility with an annual manufacturing capacity of approximately 400,000 tonnes which shall be located in Houjiang province, Vietnam (后江省，越南) with a gross construction floor area of approximately 97,350 square meters
“Contractor”	中國海誠工程科技股份有限公司 (China Haicheng Engineering Technology Holdings Company Limited*), a company incorporated in the PRC and listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (Stock Code: 002116)
“Contract Price”	the total consideration price payable by the Company to the Contractor under the Construction Contract at an initial agreed amount of RMB911,034,160 (approximately equivalent to HK\$1,166,123,700)

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	the third parties which are independent of the Company and its connected persons (as defined in the Listing Rules)
“Joint Creation”	Joint Creation Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For the purpose of this announcement, all amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1.00: HK\$1.28. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

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

25 February 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 Kunihiko 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.