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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)

CONTINUING CONNECTED TRANSACTIONS

NEW DONGGUAN AGREEMENTS

On 20 March 2014, the New Dongguan Agreements were entered into to provide for, among other things, the continuation of transactions under the Existing Dongguan Agreements and provide for additional manufacturing materials to be supplied by Lee & Man Manufacturing or any member of its group to Dongguan Lee & Man or any other member of the Group. Each of the New Dongguan Agreements has a term commencing with effect from 1 April 2014 up to and including 31 December 2016.

The New Dongguan Agreements will constitute continuing connected transactions of the Group.

Under the Listing Rules, the transactions under the New Dongguan Steam and Electricity Agreement would be aggregated with the Existing Jiangsu Steam and Electricity Agreement as the services (steam and electricity) to be provided and the parties, are the same or are otherwise associated thereunder.

The New Dongguan Finished Goods Agreement would be treated separately and would not be aggregated with the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement, as the Directors consider that the transactions contemplated under the New Dongguan Finished Goods Agreement are distinctly separate and different in nature from the transactions contemplated under the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement.

As the relevant percentage ratios under the Listing Rules for the Aggregated Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The relevant percentage ratios under the Listing Rules for the annual caps for the New Dongguan Finished Goods Agreement are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Dongguan Finished Goods Agreement, pursuant to Rule 14A.34 of the Listing Rules, are 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

A. THE BACKGROUND

New Dongguan Agreements

On 27 May 2011, Dongguan Lee & Man, an indirect wholly-owned subsidiary of the Company, entered into the Existing Dongguan Agreements with Lee & Man Manufacturing, which will expire on 31 March 2014.

On 20 March 2014, the New Dongguan Agreements were entered into between the same parties to provide for, among other things, the continuation of transactions under the Existing Dongguan Agreements and provide for additional manufacturing materials to be supplied by Lee & Man Manufacturing or any member of its group to Dongguan Lee & Man or any other member of the Group. Each of the New Dongguan Agreements has a term commencing with effect from 1 April 2014 up to and including 31 December 2016.

The New Dongguan Agreements will constitute continuing connected transactions of the Group and further details of these agreements are set out below.

B. THE AGREEMENTS

1. New Dongguan Finished Goods Agreement

Date: 20 March 2014

Parties: (i) Dongguan Lee & Man (an indirect wholly-owned subsidiary of the Company)

(ii) Lee & Man Manufacturing (an indirect wholly-owned subsidiary of the spouse of Mr Li King Wai Ross (a Director) who is also a daughter of Mr Lee Wan Keung Patrick)

Nature of Transaction: Dongguan Lee & Man (or any other member of the Group) will from time to time supply finished goods (such as test liners and corrugated medium paper) to Lee & Man Manufacturing and other members in its group for manufacturing corrugated paper packaging products in the PRC and Lee & Man Manufacturing (or any other member of its group) will from time to time supply waste paper by-products and other manufacturing materials to Dongguan Lee & Man (or any other member of the Group) for manufacturing paper products.

The price to be charged by the Group in respect of the supply of finished goods and the purchase of waste paper by-products and other manufacturing materials shall be comparable to the market price charged to independent third parties under normal commercial terms for similar products (where possible, in the same region). If there is no such market price, the price to be charged by the Group shall be comparable to the price charged by other suppliers to third parties for similar products. There is no pre-determined price for the finished goods and waste paper by-products under the New Dongguan Finished Goods Agreement and the price will be determined from time to time based on the criteria set out above.

Term of Agreement: Term commencing with effect from 1 April 2014 till 31 December 2016.

Payment: The price to be charged for finished goods, waste paper by-products and other manufacturing materials will be paid in cash or by way of cheque within 30 days after the month in which the supply is made based on actual supply but subject to the limits of the New Dongguan Annual Caps.

2. New Dongguan Steam and Electricity Agreement

Date: 20 March 2014

Parties: (i) Dongguan Lee & Man
(ii) Lee & Man Manufacturing

Nature of Transaction: Dongguan Lee & Man (or any other member of the Group) will supply steam and electricity to Lee & Man Manufacturing and other members of its group at a maximum monthly fee of HK\$833,333, with actual fees based on actual usage of steam and electricity and as may be mutually agreed between the parties.

The price to be charged by the Group in respect of the supply of steam and electricity shall be comparable to the market price charged to independent third parties under normal commercial terms (where possible, in the same region). If there is no such market price, the price to be charged by the Group shall be comparable to the price charged by other suppliers to independent third parties for similar services. There is no pre-determined price for the steam and electricity to be supplied under the New Dongguan Steam and Electricity Agreement and the price will be determined from time to time based on the criteria set out above.

Term of Agreement: Term commencing with effect from 1 April 2014 till 31 December 2016.

Payment: The steam and electricity charges will be paid in cash or by way of cheque by Lee & Man Manufacturing (or the relevant group member) within 30 days after the month in which the supply is made based on actual consumption of the amount of steam and electricity but subject to the limits of the New Dongguan Annual Caps.

C. HISTORICAL AMOUNTS AND ANNUAL CAPS

Historical amounts and the corresponding historical annual caps under the Existing Dongguan Agreements

When the Existing Dongguan Agreements were announced in May 2011, annual caps for the years ended 31 March 2012, 31 March 2013 and year ending 31 March 2014 were used. The actual consideration paid during these three years are set out below.

The Board resolved to change the financial year end of the Company and the Group from 31 March to 31 December in August 2012. To facilitate comparison, the actual consideration paid during the nine months period ended 31 December 2012 and the year ended 31 December 2013 are also set out below.

Transaction Type	Year ended	Year ended	Amount	Nine months ended	Year ended
	31 March 2012	31 March 2013	Year ending 31 March 2014	31 December 2012	31 December 2013
	Existing Dongguan Agreements				
		Actual consideration			
Supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing	HK\$139,437,000	HK\$82,914,000	HK\$47,000,000*	HK\$68,917,000	HK\$53,716,000
		Annual cap			
	HK\$200,000,000	HK\$200,000,000	HK\$200,000,000		
		Actual consideration			
Purchase of waste paper by-products from Lee & Man Manufacturing by Dongguan Lee & Man	HK\$2,405,000	HK\$870,000	HK\$700,000*	HK\$703,000	HK\$823,000
		Annual cap			
	HK\$5,000,000	HK\$5,000,000	HK\$5,000,000		
		Actual consideration			
Supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing	HK\$4,075,000	HK\$3,850,000	HK\$3,000,000*	HK\$3,434,000	HK\$3,482,000
		Annual cap			
	HK\$9,600,000	HK\$9,600,000	HK\$9,600,000		

* These figures represent the estimated consideration under the Existing Dongguan Agreements. The actual amount of consideration paid may be different.

D. NEW ANNUAL CAPS

The Company proposes that the New Dongguan Annual Caps for each of the three financial years ending 31 December 2014, 2015 and 2016 be as follows:

Type of Transaction	Amount		
	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
	New Dongguan Annual Caps		
Supply of finished goods by Dongguan Lee & Man (or any other member of the Group) to Lee & Man Manufacturing (or any other member of its group)	HK\$200,000,000	HK\$200,000,000	HK\$200,000,000
Purchase of waste paper by-products and other manufacturing materials from Lee & Man Manufacturing (or any other member of its group) by Dongguan Lee & Man (or any other member of the Group)	HK\$30,000,000	HK\$30,000,000	HK\$30,000,000
Supply of steam and electricity by Dongguan Lee & Man (or any other member of the Group) to Lee & Man Manufacturing (or any other member of its group)	HK\$10,000,000	HK\$10,000,000	HK\$10,000,000

New Dongguan Annual Caps

Supply of finished goods by Dongguan Lee & Man (or any other member of the Group) to Lee & Man Manufacturing (or any other member of its group)

The relevant annual caps for the supply of finished goods by the Group to Lee & Man Manufacturing and its group have been determined by reference to: (i) the amount of historical transactions between the Group and Lee & Man Manufacturing and its group for the financial year ended 31 March 2012, the nine months ended 31 December 2012 and the financial year ended 31 December 2013; (ii) the anticipated amount of transactions and price for the finished goods (taking into account the market price charged to independent third parties under normal commercial terms for similar products (where possible, in the same region)) for the next three financial years ending 31 December 2014, 2015 and 2016; (iii) increase in the costs of raw materials required for the finished goods and (iv) the supply plan for the Group and the production plan and requirements of Lee & Man Manufacturing and its group.

Purchase of waste paper by products and other manufacturing materials from Lee & Man Manufacturing (or any other member of its group) by Dongguan Lee & Man (or any other member of the Group)

The relevant annual caps for the purchase of waste paper by products and other manufacturing materials from Lee & Man Manufacturing and its group by the Group have been determined by reference to (i) the amount of historical transactions between the Group and Lee & Man Manufacturing and its group for the financial year ended 31 March 2012, the nine months ended 31 December 2012 and the financial year ended 31 December 2013 and anticipated new transactions involving other manufacturing materials; (ii) the anticipated amount of transactions and price for the waste paper by-products and other manufacturing materials (taking into account the market price charged to independent third parties under normal commercial terms for similar products (where possible, in the same region)) for the next three financial years ending 31 December 2014, 2015 and 2016; and (iii) the waste paper by-products and other manufacturing materials anticipated to be generated by Lee & Man Manufacturing and its group and the production plan and requirements of the Group.

Supply of steam and electricity by Dongguan Lee & Man (or any other member of the Group) to Lee & Man Manufacturing (or any other member of its group)

The relevant annual caps for the supply of steam and electricity by the Group to Lee & Man Manufacturing and its group have been determined by reference to: (i) the amount of historical transactions between the Group and Lee & Man Manufacturing and its group for the financial year ended 31 March 2012, the nine months ended 31 December 2012 and the financial year ended 31 December 2013; (ii) the anticipated amount of transactions and charges for steam and electricity for the next three financial years ending 31 December 2014, 2015 and 2016; (iii) increase in the costs of fuel (in particular, coal) and the spare electricity and steam capacity of the Group and (iv) the production plan and requirements of Lee & Man Manufacturing and its group.

E. REASONS AND BENEFITS FOR THE TRANSACTIONS

New Dongguan Agreements

Lee & Man Manufacturing is principally engaged in the manufacturing of corrugated paper packaging products in the PRC. The New Dongguan Agreements have been negotiated and agreed on an arms' length basis between the Group and Lee & Man Manufacturing based on normal commercial terms. The terms of the New Dongguan Agreements (in terms of pricing policies and payment policies) are substantially the same as the terms of the transactions under the Existing Dongguan Agreements. The supply of steam and electricity in excess of those required for its own anticipated consumption requirement for supply to Lee & Man Manufacturing and its group will enable the Group to generate additional income. The purchase of waste paper by-products and other manufacturing materials from Lee & Man Manufacturing and its group will enable the Group to secure a steady supply source of such products on normal commercial terms.

F. GENERAL

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

Lee & Man Manufacturing is a wholly-owned by the spouse of Mr Li King Wai Ross (a Director) who is also a daughter of Mr Lee Wan Keung Patrick and is therefore an associate of Mr Lee Wan Keung Patrick. Mr Lee Wan Keung Patrick is the ultimate controlling shareholder of the Company and holds approximately 54.1% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the transactions under the New Dongguan Agreements constitute continuing connected transactions under the Listing Rules. The Company does not hold any shares in Lee & Man Manufacturing and vice versa as at the date of this announcement.

The Directors (including the independent non-executive Directors) are of the view that the New Dongguan Agreements was made after arm's length negotiations and under normal commercial terms and the transactions 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 New Dongguan Agreements or is required to abstain from voting on the Board resolutions in relation to the same. Notwithstanding the aforesaid, Mr Lee Wan Chun Raymond, Mr Lee Man Bun and Mr Li King Wai Ross, who had voluntarily abstained from voting on the relevant board resolutions of approving the New Dongguan Agreements to avoid any impression of there being a conflict of interest in the matters to be resolved.

G. IMPLICATIONS UNDER THE LISTING RULES

Under the Listing Rules, the transactions under the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement would be aggregated as the services (steam and electricity) to be provided and the parties, are the same or are otherwise associated under the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement.

The New Dongguan Finished Goods Agreement would be treated separately and would not be aggregated with the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement, as the Directors consider that the transactions contemplated under the New Dongguan Finished Goods Agreement are distinctly separate and different in nature from the transactions contemplated under the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement.

As the relevant percentage ratios under the Listing Rules for the Aggregated Annual Caps are, on an annual basis, more than 0.1% but less than 5%, the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The relevant percentage ratios under the Listing Rules for the annual caps for the New Dongguan Finished Goods Agreement are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Dongguan Finished Goods Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the purposes of providing Shareholders with further information, on 20 March 2014, Dongguan Lee & Man also entered in the New Licence Agreement with L&M Paper to provide for the continuation of the Existing Licence Agreement. The relevant ratios under the Listing Rules in relation to the New Licence Agreement are, on an annual basis, less than 0.1%. Accordingly, the transactions contemplated under the New Licence Agreement, pursuant to Rule 14A.33(3), are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The New Licence Agreement would not be aggregated with the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement, as the Directors consider that the transactions contemplated under the New Licence Agreement are distinctly separate and different in nature from the transactions contemplated under the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement. In any event, should the New Licence Agreement be aggregated with the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement, the relevant percentage ratios under the Listing Rules would still be less than 5%.

H. DEFINITIONS

The following defined terms are used in this announcement:

“Aggregated Annual Caps”	the aggregated annual consideration received under the annual caps of the Existing Jiangsu Steam and Electricity Agreement and the New Dongguan Steam and Electricity Agreement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Dongguan Lee & Man”	Dongguan Lee & Man Paper Factory Co., Ltd., a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Existing Dongguan Agreements”	a finished goods and waste-paper by-products supply agreement and a steam and electricity agreement both dated 27 May 2011 entered into between Dongguan Lee & Man and Lee & Man Manufacturing, details of which are set out in the Company’s announcement dated 27 May 2011
“Existing Jiangsu Steam and Electricity Agreement”	the agreement dated 25 October 2012 between Jiangsu Paper and Jiangsu Chemical in relation to the supply of steam and electricity by Jiangsu Paper to Jiangsu Chemical, details of which are set out in the Company’s announcement dated 25 October 2012
“Existing Licence Agreement”	the agreement dated 27 May 2011 entered into between Dongguan Lee & Man and L&M Paper pursuant to which L&M Paper would licence the use of certain office spaces and properties to Dongguan Lee & Man, details of which are set out in the Company’s announcement dated 27 May 2011
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Independent Shareholders”	Shareholders other than Mr Lee Wan Keung Patrick and his associates
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an associate of Mr Lee Wan Keung Patrick
“Jiangsu Paper”	Jiangsu Lee & Man Paper Manufacturing Company Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“L&M Paper”	Lee & Man Paper Products Company Limited, a company incorporated in Hong Kong and indirect wholly-owned by the spouse of Mr Li King Wai Ross (a Director) who is also a daughter of Mr Lee Wan Keung Patrick
“Lee & Man Manufacturing”	Lee & Man Industrial Manufacturing Limited, a company incorporated in the Cayman Islands, and an indirect wholly-owned company of the spouse of Mr Li King Wai Ross (a Director) who is also a daughter of Mr Lee Wan Keung Patrick
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Dongguan Agreements”	the New Dongguan Finished Goods Agreement and the New Dongguan Steam and Electricity Agreement
“New Dongguan Annual Caps”	<p>the annual caps for:</p> <ol style="list-style-type: none"> (1) the supply of finished goods by Dongguan Lee & Man to Lee & Man Manufacturing; (2) the purchase of waste paper by-products and other manufacturing materials by Dongguan Lee & Man from Lee & Man Manufacturing; <p>under the New Dongguan Finished Goods Agreement; and</p> <ol style="list-style-type: none"> (3) the supply of steam and electricity by Dongguan Lee & Man to Lee & Man Manufacturing <p>under the New Dongguan Steam and Electricity Agreement,</p>

for each of the three financial years ending 31 December 2014, 2015 and 2016, details of which are set out in this announcement

“New Dongguan Finished Goods Agreement”	the agreement dated 20 March 2014 entered into between Dongguan Lee & Man and Lee & Man Manufacturing for the supply of finished goods to Lee & Man Manufacturing and the supply of waste paper by-products and other manufacturing materials to Dongguan Lee & Man
“New Dongguan Steam and Electricity Agreement”	the agreement dated 20 March 2014 entered into between Dongguan Lee & Man and Lee & Man Manufacturing for the supply of steam and electricity to Lee & Man Manufacturing
“New Licence Agreement”	the agreement dated 20 March 2014 entered into between Dongguan Lee & Man and L&M Paper pursuant to which L&M Paper would licence the use of certain office spaces and properties to Dongguan Lee & Man
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	the holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

20 March 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.