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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)**

## CONNECTED TRANSACTION

On 14 October 2016, the Vendor and the Purchaser entered into the Agreement whereby the Vendor has agreed to sell and the Purchaser has agreed to purchase the Yacht at a consideration of HK\$70.2 million.

The Vendor is wholly owned by Mr. Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company holding approximately 55.7% of the issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company for the purposes of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) are more than 0.1% but less than 5%, the transaction contemplated under the Agreement is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE AGREEMENT

The Board announces that on 14 October 2016, the Vendor and the Purchaser entered into the Agreement whereby the Vendor has agreed to sell and the Purchaser has agreed to purchase the Yacht. A summary of the material terms of the Agreement is set out as follows:

- Date:** 14 October 2016
- Parties:** (i) the Vendor
- (ii) the Purchaser

\* For identification purposes only

## **Subject Matter**

Under the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Yacht. The Yacht includes a vessel constructed in 2012 under the Italian brand called “Azimut” (which is famous for designing luxury yachts in the boat building industry), as well as two ancillary boats, a GRP (glass-reinforced plastic) working boat and a rubber boat constructed in Hong Kong and China in 2013 and 2012, respectively. The original acquisition costs to the Vendor in respect of the Yacht was approximately HK\$102 million. According to the valuation report issued by an independent professional valuer, the market value of the Yacht as of 14 October 2016 was HK\$78 million.

## **Consideration**

The total consideration for the sale and purchase of the Yacht is HK\$70.2 million, which is payable in cash in two equal instalments of HK\$35.1 million each. The two instalments are payable by the Purchaser (i) upon signing of the Agreement and (ii) upon completion of the registration with the Hong Kong Marine Department of the ownership transfer in respect of the Yacht, respectively.

The consideration is determined after arm’s length negotiation between the Vendor and Purchaser with reference to the valuation of the Yacht by an independent professional valuer at HK\$78 million and represents a 10% discount to such valuation.

## **REASONS FOR THE SALE AND PURCHASE OF THE YACHT**

Taking into account the present use of the Yacht by the Group for staff entertainment or other social events, the Directors believe that instead of renting a yacht from time to time, owning one could ensure certainty on costs, availability and gives the Group more flexibility when scheduling such events. On the above basis and taking into account the 10% discount to valuation price, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable, and that the Agreement and the transactions contemplated thereunder are on normal commercial terms or better to the Group and are in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Vendor is wholly-owned by Mr. Lee Wan Keung Patrick, the controlling shareholder of the Company holding approximately 55.7% of all the issued voting shares of the Company as of the date of this announcement, and is therefore a connected person of the Company for the purposes of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) are more than 0.1% but less than 5%, the transaction contemplated under the Agreement is subject to the reporting and announcement requires, but is exempted from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, executive Directors who are associates of Mr. Lee Wan Keung Patrick, have abstained from voting on the relevant board resolution approving the Agreement and the transactions contemplated thereunder. Save as aforesaid, no Director has any material interest in the Agreement and the transactions contemplated thereunder. However, Mr. Li King Wai Ross, an executive Director of the Company and son-in-law of Mr. Lee Wan Keung Patrick, has voluntarily abstained from voting on the relevant board resolution approving the Agreement and the transactions contemplated thereunder to avoid any impression of there being a conflict of interest in the matters resolved.

## **GENERAL**

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

To the best of the Directors' knowledge, the Vendor is principally engaged in property investment.

## **DEFINITIONS**

In this announcement, capitalised terms and conditions have the meaning as ascribed to them below unless otherwise specified:

“Agreement”	the sales contract dated 14 October 2016 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Yacht pursuant to the terms and conditions thereof;
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of The Stock Exchange;
“connected person”	has the meaning as ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning as ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Purchaser”	Vantage Dragon Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Lee & Man Realty Investment Limited, a company incorporated in Hong Kong with limited liability and a connected person of the Company; and
“Yacht”	a vessel (type: Azimut 116 hull no. 037) named “Hainan Pearl” constructed in Italy in 2012 and licensed at the Hong Kong Marine Department, together with a GRP (glass-reinforced plastic) working boat and a rubber boat.

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

Hong Kong, 14 October 2016

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