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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 LOAN AGREEMENT IN RELATION TO PROVIDING FINANCING TO A JOINT VENTURE IN THE PRC

On 10 February 2017, the Lender executed a loan agreement to provide financing to the PRC JV whereby the Lender has agreed to lend up to RMB60 million (equivalent to approximately HK\$67.5 million) to the PRC JV. The loan is expected to provide additional funding in support of the PRC JV in its expansion works of the pier construction projects in Jiangxi, China.

Mr Lee Wan Keung Patrick, is a controlling shareholder of both the Company and LMC. As the PRC JV is indirectly owned as to 50% by each of the Company and LMC, the PRC JV is a connected person of the Company under the Listing Rules and the transactions contemplated under the Loan Agreement constitute a connected transaction subject to Chapter 14A 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 Loan 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 LOAN AGREEMENT

On 10 February 2017, the Lender executed a loan agreement to provide financing to the PRC JV whereby the Group has agreed to lend up to RMB60 million (equivalent to approximately HK\$67.5 million) to the PRC JV. The particulars of the Loan Agreement are set out as follows:–

Date: 10 February 2017

Parties: (i) the Lender (as lender)
(ii) the PRC JV (as borrower)

* For identification purposes only

Subject Matter

The Lender has agreed to lend up to RMB60 million (equivalent to approximately HK\$67.5 million) to the PRC JV at its request(s). The loan will bear interest at 3.8% per annum and the loan will be repayable by 31 December 2018. The interest rate was negotiated on an arm's length basis between the Lender and the PRC JV and was determined based on the cost of funding by the Lender.

The proceeds of the loan is expected to be used to fund the PRC JV's expansion works for the pier construction projects in Jiangxi, China.

REASONS FOR THE LOAN AGREEMENT

The PRC JV was established as a joint venture by the Company and LMC to undertake certain pier construction projects in Jiangxi, China. Upon completion of the pier construction, it is expected to provide the Group with exclusive additional logistical support enhancing the distribution and supply network of its raw materials and finished products. The PRC JV provides an existing platform available to the Group and is a cost-saving alternative to the Group in establishing a separate and individual pier construction company with the requisite construction capabilities.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Loan Agreement are fair and reasonable, and whilst not in the ordinary and usual course of business of the Group, the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr Lee Wan Keung Patrick, is a controlling shareholder of both the Company (holding approximately 55.9% of the issued shares of the Company through his wholly-owned company, Gold Best Holdings Ltd., as at the date of this announcement) and LMC (through his 55.0% controlling interest in Fortune Star Tradings Ltd., which, as at the date of this announcement, is interested in 75.0% of the issued shares in LMC).

As the PRC JV is indirectly owned by the Company and LMC in equal shares, the PRC JV is a connected person of the Company under the Listing Rules and the transactions contemplated under the Loan Agreement constitute a connected transaction subject to Chapter 14A 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.

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 Loan Agreement and the transactions contemplated thereunder. Save as aforesaid, no Director has any material interest in the Loan 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 Loan Agreement and the transactions contemplated thereunder to avoid the perception of conflict of interest.

GENERAL

The Group is principally engaged in large-scale paper manufacturing and specializes in the production of linerboard, corrugated medium and tissue paper. LMC and its subsidiaries are principally engaged in the manufacture and sale of chemical products.

The PRC JV is a Wholly Foreign Owned Enterprise established in the PRC which is principally engaged in undertaking certain pier construction projects in Jiangxi, China.

DEFINITIONS

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

“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands and the shares of which are listed on 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;
“Lender”	Jiangxi Lee & Man Paper Manufacturing Ltd., a company incorporated in the People’s Republic of China with limited liabilities and is a 100% owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LMC”	Lee & Man Chemical Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“LMC Group”	LMC and its subsidiaries;

“Loan Agreement”	the loan agreement dated 10 February 2017 entered into between the PRC JV and Jiangxi Lee & Man Paper Manufacturing Ltd. pursuant to the terms and conditions thereof;
“PRC JV”	瑞昌理文物流有限公司, a company established under the laws of the PRC with limited liability which is wholly owned by Southern Hill Company Limited, which in turn is owned as to 50% by the Group and 50% by the LMC Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For illustration purposes only the exchange rate of RMB1 = HK\$1.125 has been adopted for translating RMB into HK\$ in this announcement.

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

Hong Kong, 10 February 2017

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.