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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)

BUSINESS COLLABORATION WITH NIPPON PAPER AND MINORITY STAKE SALE OF SHARES BY GOLD BEST

On 22 June 2010, the Company entered into a Business Collaboration Agreement with Nippon Paper that confirms the intention of the parties to jointly pursue business cooperation opportunities together.

The Company has also been informed by Gold Best that on 22 June 2010, Gold Best entered into the Sale and Purchase Agreement with Nippon Paper pursuant to which Gold Best has agreed to sell and Nippon Paper has agreed to purchase 546,153,559 Shares for a cash consideration of approximately HK\$3,550 million, representing a price per Share of HK\$6.50. Consequently, upon completion of the Sale and Purchase Agreement, Nippon Paper will hold Shares representing approximately 12% of the issued share capital of the Company as at the date of this announcement, while Gold Best will hold Shares representing approximately 51.0% of the issued share capital of the Company as at the date of this announcement. The Company has also been informed by Gold Best that on 22 June 2010, Gold Best entered into a Shareholders' Agreement and a Right of First Refusal Agreement with Nippon Paper.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

BUSINESS COLLABORATION AGREEMENT

On 22 June 2010, the Company entered into a Business Collaboration Agreement with Nippon Paper that confirms the intention of the parties to jointly pursue business cooperation opportunities together.

Parties

1. The Company; and
2. Nippon Paper Group, Inc.

Date of Business Collaboration Agreement

22 June 2010

Effective date of the Business Collaboration Agreement

The Business Collaboration Agreement will be effective upon completion of the Sale and Purchase Agreement.

Steering Group

Pursuant to the Business Collaboration Agreement, the Company will form a Steering Group comprised of representatives from both the Company and Nippon Paper to identify and pursue business cooperation opportunities. Any proposed business cooperation project (including any detailed plan, budget, structure, schedule and implementation) identified and agreed by the Steering Group will be recommended and subject to the approval of the Company and Nippon Paper.

Secondee Programme

The Secondee Programme is designed to promote the sharing of best practices in the pulp and paper industry between Nippon Paper and L&M Group. Nippon Paper will deploy necessary personnel resources to achieve the objectives of the business collaboration agreement.

The parties have agreed to share the costs and expenses of the secondees from Nippon Paper Group to the L&M Group. The maximum reimbursement by the Company to Nippon Paper Group for the costs and expenses incurred by Nippon Paper Group for the entire Secondee Programme is subject to an aggregate annual cap of US\$2,750,000 for each financial year.

As Nippon Paper will be a substantial shareholder of the Company following completion of the Sale and Purchase Agreement, the Secondee Programme will constitute continuing connected transactions of the L&M Group. However, the relevant percentage ratios based on the aggregate annual cap of US\$2,750,000 is expected to be less than 0.1%, and the Secondee Programme is therefore expected to be exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Directors consider that the terms of reimbursement to Nippon Paper Group and the aggregate annual cap of US\$2,750,000 in respect of the Secondee Programme are at arm's length and on normal commercial terms.

REASONS FOR AND BENEFIT OF THE BUSINESS COLLABORATION AGREEMENT

The establishment of the Business Collaboration Agreement with Nippon Paper should potentially bring synergy benefits to both companies through joint initiatives such as collaborative procurement efforts and joint access to future research and development projects. In addition, the formation of the Steering Group and the Seconded Programme should help to provide the L&M Group with a number of benefits, including maximizing operational efficiencies, enhancing safety, developing a more diverse product line to capitalize on increasing demand and opportunities in China.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Business Collaboration Agreement are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE L&M GROUP AND THE NIPPON PAPER GROUP

The L&M Group is one of the leading paper manufacturers in China, specialising in the production of a range of linerboard and corrugated medium used to produce cardboard boxes for packaging purposes. As of 31 March, 2010, the Group has a total capacity of approximately 4.55 million tons per annum, with four production bases in Dongguan, Jiangsu and Chongqing, China.

Nippon Paper Group is one of the largest pulp and paper manufacturers in Japan with a diverse range of products, which includes paper, paperboard, household paper products, and specialty and high-performance products. As of 31 March, 2010, Nippon Paper Group had a total machine-made paper and paperboard production capacity of 6.9 million tons per annum.

STRATEGIC SALE OF SHARES BY GOLD BEST

The Company has also been informed by Gold Best that on 22 June 2010, Gold Best entered into the Sale and Purchase Agreement with Nippon Paper pursuant to which, among other things, Gold Best agreed to sell and Nippon Paper has agreed to purchase 546,153,559 Shares for a cash consideration of approximately HK\$3,550 million, representing a price per Share of HK\$6.50. Consequently, upon completion of the Sale and Purchase Agreement, Nippon Paper will hold Shares representing approximately 12% of the issued share capital of the Company as at the date of this announcement, while Gold Best will hold Shares representing approximately 51.0% of the issued share capital of the Company as at the date of this announcement. Gold Best has further informed the Company that the Sale and Purchase Agreement includes an undertaking by Gold Best to procure that a board meeting of the Company be held at completion of the Sale and Purchase Agreement to resolve, among other things, (i) the appointment of two persons nominated by Nippon Paper as Directors (one of which will be an executive Director and the other of which will be a non-executive Director) and, (ii) the appointment of persons nominated by Nippon Paper to the audit committee and remuneration committee of the Company, and for such appointments to have effect immediately upon completion of the Sale and Purchase Agreement. The Company has been informed that the Sale and Purchase Agreement is expected to be completed by around 7 July

2010. A further announcement will be made upon the completion of the Sale and Purchase Agreement.

The Company has also been informed by Gold Best that on 22 June 2010, Gold Best entered into a Shareholders' Agreement and a Right of First Refusal Agreement with Nippon Paper. The Company has been informed that the principal terms of the Shareholders' Agreement include an undertaking by Gold Best to exercise its voting rights relating to the Shares held by it to procure, insofar as it is able to do so and subject to applicable laws and regulations (including the Listing Rules) that (i) two persons nominated by Nippon Paper will be appointed as directors of the Company (subject to such persons having been approved by the Board in accordance with the normal procedures for nominations and appointments of directors); (ii) certain material resolutions or actions will not be passed or implemented in relation to the Company or its subsidiaries without the approval of Nippon Paper; and (iii) certain anti-dilution provisions in favour of Nippon Paper are implemented. Gold Best has further informed the Company that the principal terms of the Right of First Refusal Agreement include a right of first refusal in the event that either Gold Best or Nippon Paper wishes to transfer Shares to any third party. Such undertakings and protections in the Shareholders' Agreement and the Right of First Refusal Agreement are effective for so long as Nippon Paper holds not less than 10 per cent of the Shares in issue from time to time, or, if earlier, a period of 24 months after completion of the Sale and Purchase Agreement.

GENERAL

The Company will continue to comply with the requirements of the Listing Rules as and when further transactions or agreements are entered into between the Nippon Paper Group and the L&M Group pursuant to the Business Collaboration Agreement. A further announcement will be made upon the completion of the Sale and Purchase Agreement.

Goldman Sachs is acting as financial advisor to Gold Best Holdings Limited on this transaction.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
"Business Collaboration Agreement"	the business collaboration agreement dated 22 June 2010 between the Company and Nippon Paper in relation to their strategic business cooperation in the pulp and paper business in China;
“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
"Gold Best"	Gold Best Holdings Limited., a company incorporated in the British Virgin Islands and the controlling shareholder (as defined in the Listing Rules) of the Company
“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
“L&M Group”	the Company and its subsidiaries
"Nippon Paper" and "Nippon Paper Group"	Nippon Paper Group, Inc. ("Nippon Paper"), a company incorporated in Japan and listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange and "Nippon Paper Group" shall mean Nippon Paper and its subsidiaries
“Right of First Refusal Agreement”	the right of first refusal agreement dated 22 June 2010 between Gold Best and Nippon Paper providing for certain rights of first refusal and other provisions relating to the Shares held by the parties
"Sale and Purchase Agreement"	the sale and purchase agreement dated 22 June 2010 between Gold Best as seller and Nippon Paper as purchaser for the sale and purchase of 546,153,559 Shares
“Secondee Programme”	the secondee programme to be established by the Company pursuant to the terms of the Business Collaboration Agreement
“Shareholders”	shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 22 June 2010 between Gold Best and Nippon Paper governing the relationship between Gold Best and Nippon Paper (or its nominee) as shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company

"Steering Group" the discussion group to be jointly established by the Company and Nippon Paper pursuant to the terms of the Business Collaboration Agreement

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"%" per cent.

By order of the Board
Lee & Man Paper Manufacturing Limited
Lee Wan Keung, Patrick
Chairman

Hong Kong, 22 June 2010

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond, Mr Lee Man Bun, 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.

* *For identification purposes only*