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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)



理文化工有限公司
LEE & MAN CHEMICAL COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 746)

JOINT ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

New Jiangsu Steam and Electricity Agreement

On 9 February 2015, the New Jiangsu Steam and Electricity Agreement was entered into between Jiangsu Paper and Jiangsu Chemical to replace the Existing Jiangsu Agreement and provide for the continuation of services to generate steam and electricity by Jiangsu Paper for Jiangsu Chemical. The New Jiangsu Steam and Electricity Agreement has a term of three years commencing with effect from 1 January 2015 up to and including 31 December 2017.

New Jiangxi Steam and Electricity Agreement

On 9 February 2015, Jiangxi Chemical, an indirect wholly-owned subsidiary of LMC, entered into the New Jiangxi Steam and Electricity Agreement with Jiangxi Paper, an indirect wholly-owned subsidiary of LMP, to replace the Existing Jiangxi Agreement and for the provision by Jiangxi Chemical of services to generate steam and electricity by Jiangxi Chemical to Jiangxi Paper. The New Jiangxi Steam and Electricity Agreement has a term of three years commencing with effect from 1 January 2015 up to and including 31 December 2017.

* For identification purposes only

New Jiangsu Lease Agreement

On 9 February 2015, the New Jiangsu Lease Agreement was entered into between Jiangsu Paper and Jiangsu Chemical to replace the Existing Jiangsu Lease Agreement and for the leasing by Jiangsu Paper of certain office spaces and properties located at Lee & Man Road, Yan Jiang Industrial Park, Changshu Economic Development Zone, Jiangsu Province, PRC, to Jiangsu Chemical. The New Jiangsu Lease Agreement has a term of three years commencing with effect from 1 January 2015 up to and including 31 December 2017.

New Jiangxi Lease Agreement

On 9 February 2015, the New Jiangxi Lease Agreement was entered into between Jiangxi Paper and Jiangxi Chemical for the leasing by Jiangxi Chemical of certain properties located at Ma Tou Industrial City, Ma Tou Town, Rui Chang City, Jiangxi Province, PRC, to Jiangxi Paper. The New Jiangxi Lease Agreement has a term of three years commencing with effect from 1 January 2015 up to and including 31 December 2017.

New Jiangsu Purchase Agreement

On 9 February 2015, the New Jiangsu Purchase Agreement was entered into between Jiangsu Paper and Jiangsu Chemical to replace the Existing Purchase Agreement and for the continuation of supply of various industrial chemical products by Jiangsu Chemical to Jiangsu Paper. The New Jiangsu Purchase Agreement has a term of three years commencing with effect from 1 January 2015 up to and including 31 December 2017.

LISTING RULE IMPLICATIONS

The above New Continuing Connected Transaction Agreements will constitute continuing connected transactions for LMP and LMC.

LMP

In respect of LMP, save for the New Jiangsu Lease Annual Caps and New Jiangxi Lease Annual Caps which are both individually less than 0.1% of the relevant percentage ratios under the Listing Rules and fully exempt from the reporting, announcement and shareholders' approval requirements of the Listing Rules, the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps and the New Jiangsu Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Jiangsu Steam and Electricity Agreement, New Jiangxi Steam and Electricity Agreement, New Jiangsu Purchase Agreement and their respective annual caps will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements of the Listing Rules.

LMC

In respect of LMC, the relevant percentage ratios under the Listing Rules for each of the New Jiangxi Steam and Electricity Annual Caps, New Jiangsu Lease Annual Caps, New Jiangxi Lease Annual Caps and the New Jiangsu Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Jiangxi Steam and Electricity Agreement, New Jiangsu Lease Agreement, New Jiangxi Lease Agreement, New Jiangsu Purchase Agreement and their respective annual caps will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements of the Listing Rules.

The relevant percentage ratios under the Listing Rules for the New Jiangsu Steam and Electricity Annual Caps are, on an annual basis for LMC, more than 5% and more than HK\$10 million. Accordingly, the New Jiangsu Steam and Electricity Agreement and its annual caps will be subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

The independent board committee of LMC has been established by LMC to provide recommendation to the independent shareholders of LMC in respect of the New Jiangsu Steam and Electricity Agreement. Quam Capital Limited has been appointed as the independent financial adviser of LMC to advise the independent board committee of LMC and the independent shareholders of LMC in this regard.

The extraordinary general meeting of LMC will be convened and held for the independent shareholders of LMC to consider and, if thought fit, approve the continuing connected transactions contemplated under the New Jiangsu Steam and Electricity Agreement.

Details in connection with the New Jiangsu Steam and Electricity Agreement (including the expected annual caps), the recommendation of the independent board committee of LMC and the advice of the independent financial adviser of LMC regarding the aforesaid transaction will be included in the circular to be issued by LMC. Due to the upcoming Chinese New Year public holidays in the PRC and in Hong Kong in February, LMC expects that there would be some delays in the preparation of information to be included in the circular and accordingly, the aforesaid circular together with the notice of LMC extraordinary general meeting is expected to be despatched to the shareholders of LMC on or before 13 March 2015.

A. THE BACKGROUND

On 25 October 2012, the Existing Continuing Connected Transaction Agreements were entered into between various subsidiaries of LMC and LMP, further details of which are set out in the joint announcement of LMC and LMP dated 25 October 2012.

As the Existing Continuing Connected Transaction Agreements have expired, the parties have entered into the New Continuing Connected Transaction Agreements to renew the arrangements under such agreements.

The production plants of LMP and LMC located in Jiangxi province have increased operations since 2012 and to facilitate the increased production capabilities in Jiangxi province, the New Jiangxi Lease Agreement has also been entered into.

The above-mentioned New Continuing Connected Transaction Agreements will constitute continuing connected transactions for LMP and LMC and further details of these agreements are set out below.

B. THE AGREEMENTS

1. New Jiangsu Steam and Electricity Agreement

Date: 9 February 2015

Parties: (i) Jiangsu Paper (as supplier)
(ii) Jiangsu Chemical (as purchaser)

Nature of Transaction: Jiangsu Paper will provide services to generate steam and electricity for Jiangsu Chemical.

The supply of services to generate electricity shall be charged at RMB0.0684 (excluding VAT) per kWh. The coal for generating the electricity shall be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical would depend on the monthly actual consumption of Jiangsu Chemical.

The supply of services to generate steam shall be charged at RMB25.641 (excluding VAT) per ton measured at the Jiangsu Paper's metre. The coal for generating the steam shall be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical would depend on the monthly actual consumption of Jiangsu Chemical.

Jiangsu Chemical will provide the steam pipelines, electrical cables and relevant facilities to transfer steam and electricity to its production facilities. Jiangsu Chemical will also be responsible for the maintenance and repairs of such steam pipelines, electrical cables and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 January 2015 up to and including 31 December 2017.

Payment: Steam and electricity service fees will be paid in cash by Jiangsu Chemical (using its internal resources) within 14 days after the end of each month based on actual consumption of the amount of steam and electricity but subject to the limits of the New Jiangsu Steam and Electricity Annual Caps.

Pricing Policy: Under the New Jiangsu Steam and Electricity Agreement, the steam and electricity service fees were based on the actual supply costs (including overheads and the financing costs of the electricity and steam generating facilities) of Jiangsu Paper, plus a margin of not more than 18%. The New Jiangsu Steam and Electricity Agreement was negotiated and determined on an arm's length basis based on normal commercial terms. The prices for steam and electricity have also been compared against those available from government authorities in the Jiangsu province to ensure that such prices are not higher than that available from such government authorities.

2. New Jiangxi Steam and Electricity Agreement

Date: 9 February 2015

Parties: (i) Jiangxi Chemical (as supplier)
(ii) Jiangxi Paper (as purchaser)

Nature of Transaction: Jiangxi Chemical will provide services to generate steam and electricity for Jiangxi Paper.

The supply of services to generate electricity shall be charged at RMB0.0684 (excluding VAT) per kWh. The coal for generating the electricity shall be supplied by Jiangxi Paper to Jiangxi Chemical in advance. The quantity of coal to be supplied by Jiangxi Paper would depend on the monthly actual consumption of Jiangxi Paper.

The supply of services to generate steam shall be charged at RMB25.641 (excluding VAT) per ton measured at the Jiangxi Chemical's metre. The coal for generating the steam shall be supplied by Jiangxi Paper to Jiangxi Chemical in advance. The quantity of coal to be supplied by Jiangxi Paper would depend on the monthly actual consumption of Jiangxi Paper.

Jiangxi Paper will provide the steam pipelines, electrical cables and relevant facilities to transfer steam and electricity to its production facilities. Jiangxi Paper will also be responsible for the maintenance and repairs of such steam pipelines, electrical cables and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 January 2015 up to and including 31 December 2017.

Payment: Steam and electricity service fees will be paid in cash by Jiangxi Paper (using its internal resources) within 14 days after the end of each month based on actual consumption of the amount of the steam and electricity but subject to the limits of the New Jiangxi Steam and Electricity Annual Caps.

Pricing Policy: Under the New Jiangxi Steam and Electricity Agreement, the steam and electricity service fees were based on the actual supply costs (including overheads and the financing costs of the electricity and steam generating facilities) of Jiangxi Chemical, plus a margin of not more than 18%. The New Jiangxi Steam and Electricity Agreement was negotiated and determined on an arm's length basis based on normal commercial terms. The prices for steam and electricity have also been compared against those available from government authorities in the Jiangxi province to ensure that such prices are not higher than that available from such government authorities.

3. New Jiangsu Lease Agreement

Date: 9 February 2015

Parties: (i) Jiangsu Paper (as lessor)
(ii) Jiangsu Chemical (as lessee)

Nature of Transaction: Jiangsu Paper (as lessor) will lease the use of office spaces and properties to Jiangsu Chemical (as lessee) located at Lee & Man Road, Yan Jiang Industrial Park, Changshu Economic Development Zone, Jiangsu Province, PRC and as further described below:–

- 1) Third floor office space (at a monthly rate of RMB6,972)
- 2) Staff quarters (at a monthly rate of RMB538 per room)
- 3) Guestrooms (to be determined based on actual daily usage at a daily rate of RMB30 per room)

Term of Agreement: The monthly rates for the above facilities were arrived at on normal commercial terms after arm's length negotiation with reference to the market rates of two other similar commercial premises in Jiangsu province. 3 years commencing with effect from 1 January 2015 up to and including 31 December 2017.

Payment: Subject to the limits of the New Jiangsu Lease Annual Caps, payment of the rent shall be calculated in arrears and invoiced on a monthly basis to Jiangsu Chemical and paid (using its internal resources) by way of bank transfer to the lessor's designated bank account.

Pricing Policy: The price and terms of payment under the New Jiangsu Lease Agreement were determined by reference to market prices of two other independent third party providers of similar sized premises in the province and were based on normal commercial terms. The lease rates offered by Jiangsu Paper were not higher than the sample prices obtained by management staff of Jiangsu Chemical from such other independent third party providers of similar sized premises in the province.

4. New Jiangxi Lease Agreement

Date: 9 February 2015

Parties: (i) Jiangxi Chemical (as lessor)
(ii) Jiangxi Paper (as lessee)

Nature of Transaction:	<p>Jiangxi Chemical (as lessor) will lease the use of properties to Jiangxi Paper (as lessee) located at Ma Tou Industrial City, Ma Tou Town, Rui Chang City, Jiangxi Province, PRC and as further described below:–</p> <ol style="list-style-type: none"> 1) Staff quarters (at a monthly rate ranging from RMB538 to RMB1,250 per room) 2) Guestrooms (to be determined based on actual daily usage at a daily rate of RMB30 per room) <p>The monthly rates for the above facilities were arrived at on normal commercial terms after arm’s length negotiation with reference to the market rates of two other similar commercial premises in Jiangxi province.</p>
Term of Agreement:	3 years commencing with effect from 1 January 2015 up to and including 31 December 2017.
Payment:	Subject to the limits of the New Jiangxi Lease Annual Caps, payment of the rent shall be calculated in arrears and invoiced on a monthly basis to Jiangxi Paper and paid (using its internal resources) on the first day of each month by way of bank transfer to the lessor’s designated bank account.
Pricing Policy:	The price and terms of payment under the New Jiangxi Lease Agreement were determined by reference to market prices of two other independent third party providers of similar sized premises in the province and were based on normal commercial terms. The lease rates offered by Jiangxi Chemical were not higher than the sample prices obtained by management staff of Jiangxi Paper from such other independent third party providers of similar sized premises in the province.

5. New Jiangsu Purchase Agreement

Date:	9 February 2015
Parties:	<ol style="list-style-type: none"> (i) Jiangsu Paper (as purchaser) (ii) Jiangsu Chemical (as supplier)
Nature of Transaction:	Jiangsu Paper will purchase various industrial chemical products from Jiangsu Chemical at a price based on the prevailing market price per ton agreed between the parties at the relevant time.

Jiangsu Chemical will be responsible for the transportation of the industrial chemical products to Jiangsu Paper while the transportation costs will be borne by Jiangsu Paper.

There is no minimum amount of industrial chemical products required to be purchased by Jiangsu Paper.

Term of Agreement: 3 years commencing with effect from 1 January 2015 up to and including 31 December 2017.

Payment: Purchase orders will be made by Jiangsu Paper to Jiangsu Chemical and Jiangsu Chemical is required to deliver the specified type and amount of industrial chemical products to Jiangsu Paper within 3 business days.

Jiangsu Chemical will issue monthly sales invoices to Jiangsu Paper and such invoices shall be settled in cash by Jiangsu Paper (using its internal resources) within 30 days of the date of issue of the sales invoices by Jiangsu Chemical.

Pricing Policy: The price and terms of payment under the New Jiangsu Purchase Agreement will be determined by reference to the prevailing market prices at the relevant time which will be determined by the management staff of Jiangsu Chemical on a monthly basis with reference to market prices provided that the prices charged by Jiangsu Chemical shall not be higher than that available from independent third party suppliers. The management staff of Jiangsu Paper will monitor and take samples of the market prices for relevant industrial chemical products available from independent third party suppliers on a monthly basis to ensure prices charged by Jiangsu Chemical do not exceed those of independent third party suppliers.

C. HISTORICAL AMOUNTS AND ANNUAL CAPS

The actual aggregate consideration for the services provided under the Existing Jiangsu Agreement, the Existing Jiangxi Agreement, the Existing Jiangsu Lease Agreement and the Existing Purchase Agreement compared against the related annual caps for each of the years ended 31 December 2012, 2013 and 2014 were as follows:–

Transaction type	Amount		
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
Existing Jiangsu Agreement			
	Actual consideration		
Services to generate steam and electricity by Jiangsu Paper to Jiangsu Chemical	RMB59,780,000 (approximately HK\$74,725,000)	RMB60,635,000 (approximately HK\$75,793,750)	RMB60,098,000 (approximately HK\$75,122,500)
	Annual cap		
	RMB70,789,000 (approximately HK\$88,486,250)	RMB70,789,000 (approximately HK\$88,486,250)	RMB70,789,000 (approximately HK\$88,486,250)
Existing Jiangxi Agreement			
	Actual consideration		
Services to generate steam and electricity by Jiangxi Chemical to Jiangxi Paper	Nil	RMB14,062,000 (approximately HK\$17,577,500)	RMB28,133,000 (approximately HK\$35,166,250)
	Annual cap		
	Not applicable	RMB30,689,000 (approximately HK\$38,361,250)	RMB61,377,000 (approximately HK\$76,721,250)
Existing Jiangsu Lease Agreement			
	Actual consideration		
Lease of premises by Jiangsu Paper to Jiangsu Chemical	RMB1,480,000 (approximately HK\$1,850,000)	RMB1,586,000 (approximately HK\$1,982,500)	RMB1,514,000 (approximately HK\$1,892,500)
	Annual Cap		
	RMB5,000,000 (approximately HK\$6,250,000)	RMB5,000,000 (approximately HK\$6,250,000)	RMB5,000,000 (approximately HK\$6,250,000)

Transaction type	Amount		
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
Existing Purchase Agreement			
	Actual consideration		
Purchase of various industrial chemical products from Jiangsu Chemical by Jiangsu Paper	RMB3,875,000 (approximately HK\$4,843,750)	RMB3,802,000 (approximately HK\$4,752,500)	RMB4,764,000 (approximately HK\$5,955,000)
	Annual cap		
	RMB30,000,000 (approximately HK\$37,500,000)	RMB30,000,000 (approximately HK\$37,500,000)	RMB30,000,000 (approximately HK\$37,500,000)

D. NEW ANNUAL CAPS

Each of LMP and LMC propose that the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps, the New Jiangsu Lease Annual Caps, the New Jiangxi Lease Annual Caps and the New Jiangsu Purchase Annual Caps for each of the three years commencing with effect from 1 January 2015 up to and including 31 December 2017, be as follows:–

Type of Transaction	Amount		
	Year ending 31 December 2015	Year ending 31 December 2016	Year ending 31 December 2017
New Jiangsu Steam and Electricity Annual Caps	RMB70,000,000 (approximately HK\$87,500,000)	RMB70,000,000 (approximately HK\$87,500,000)	RMB70,000,000 (approximately HK\$87,500,000)
New Jiangxi Steam and Electricity Annual Caps	RMB40,000,000 (approximately HK\$50,000,000)	RMB53,000,000 (approximately HK\$66,250,000)	RMB53,000,000 (approximately HK\$66,250,000)
New Jiangsu Lease Annual Caps	RMB5,000,000 (approximately HK\$6,250,000)	RMB5,000,000 (approximately HK\$6,250,000)	RMB5,000,000 (approximately HK\$6,250,000)
New Jiangxi Lease Annual Caps	RMB5,000,000 (approximately HK\$6,250,000)	RMB5,000,000 (approximately HK\$6,250,000)	RMB5,000,000 (approximately HK\$6,250,000)
New Jiangsu Purchase Annual Caps	RMB30,000,000 (approximately HK\$37,500,000)	RMB30,000,000 (approximately HK\$37,500,000)	RMB30,000,000 (approximately HK\$37,500,000)

New Jiangsu Steam and Electricity Annual Caps

The New Jiangsu Steam and Electricity Annual Caps have been determined by reference to the amount of historical transactions between Jiangsu Paper and Jiangsu Chemical as set out above, taking into account Jiangsu Paper's own anticipated consumption requirements, the spare steam and electricity capacity of Jiangsu Paper available for Jiangsu Chemical's requirements, the production plans and the related estimated steam and electricity requirements of Jiangsu Chemical and Jiangsu Paper for the period from 1 January 2015 up to and including 31 December 2017, as well as the estimated unit price of steam and electricity services to be provided (including the operational costs for running the power generation station of steam and electricity).

New Jiangxi Steam and Electricity Annual Caps

The New Jiangxi Steam and Electricity Annual Caps have been determined by reference to the amount of historical transactions between Jiangxi Paper and Jiangxi Chemical as set out above, taking into account Jiangxi Chemical's own anticipated consumption requirements, the spare steam and electricity capacity of Jiangxi Chemical available for Jiangxi Paper's requirements, the production plans and the related estimated steam and electricity requirements of Jiangxi Paper and Jiangxi Chemical for the period from 1 January 2015 up to and including 31 December 2017, as well as the estimated unit price of steam and electricity services to be provided (including the operational costs for running the power generation station of steam and electricity). It is expected that additional production facilities will be added to the Jiangxi production plants of Jiangxi Paper between 2016 and 2017 and this would increase the capacity requirements of Jiangxi Paper for steam and electricity compared to previous years.

New Jiangsu Lease Annual Caps

The New Jiangsu Lease Annual Caps were based on the agreed fixed monthly lease rates under the New Jiangsu Lease Agreement which was arrived at on normal commercial terms after arm's length negotiation with reference to (i) the historical monthly lease rates between Jiangsu Chemical and Jiangsu Paper between 1 January 2012 and 31 December 2014 under the Existing Jiangsu Lease Agreement and (ii) the anticipated increase in the staff of Jiangsu Chemical and expansion of office facilities by Jiangsu Chemical in the coming years which LMC expects to significantly exceed historical usage.

New Jiangxi Lease Annual Caps

The New Jiangxi Lease Annual Caps were based on the agreed fixed monthly lease rates under the New Jiangxi Lease Agreement which was arrived at on normal commercial terms after arm's length negotiation with reference to (i) the historical monthly lease rates between Jiangsu Chemical and Jiangsu Paper between 1 January 2012 and 31 December 2014 under the Existing Jiangsu Lease Agreement and (ii) the expected requirements for staff quarters and guestrooms based on existing headcount and future anticipated growth.

New Jiangsu Purchase Annual Caps

The New Jiangsu Purchase Annual Caps have been determined by reference to (i) the value of historical sales between Jiangsu Chemical and Jiangsu Paper for the years ended 31 December 2012, 2013 and 2014, (ii) Jiangsu Chemical's own anticipated consumption requirements, (iii) the production capacity and estimated quantity of industrial chemical products to be manufactured by Jiangsu Chemical and (iv) anticipated market price fluctuations for the period from 1 January 2015 up to and including 31 December 2017.

E. REASONS AND BENEFITS FOR THE TRANSACTIONS

New Jiangsu Steam and Electricity Agreement and New Jiangxi Steam and Electricity Agreement

Each of the New Jiangsu Steam and Electricity Agreement and the New Jiangxi Steam and Electricity Agreement were negotiated and agreed on an arms' length basis between the parties and based on normal commercial terms.

LMP and LMC have production plants located in both the provinces of Jiangsu and Jiangxi which require electricity and steam for manufacturing their paper and chemical products respectively. To facilitate the production process in Jiangsu and Jiangxi, LMP and LMC had (through their respective PRC subsidiaries) constructed their own power generation stations to supply the required electricity and steam for their production plants located in both Jiangsu and Jiangxi.

LMP's power generation station is located in Jiangsu and LMC's power station is located in Jiangxi.

The proximity of the power generation stations to the relevant operations mean that both LMC and LMP would be able to obtain electricity and steam at a lower price from each other than from other third party suppliers. Supplies of steam and electricity from independent external suppliers (including the PRC governmental bodies) will not be as stable as compared with supplies from the power generation stations of LMC and LMP. As the production plants of LMC and LMP are operated on a twenty-four hour basis, any power shortage or power failure would adversely affect the production lines and reduce the efficiency of manufacturing, and the New Jiangsu Steam and Electricity Agreement and New Jiangxi Steam and Electricity Agreement will therefore ensure a consistent and stable supply of steam and electricity to the production plants of LMC and LMP located in Jiangsu and Jiangxi.

This arrangement will also help both LMC and LMP to improve the utilisation of their respective power generation stations as the supply of steam and electricity under the New Jiangsu Steam and Electricity Agreement and New Jiangxi Steam and Electricity Agreement represents surplus steam and electricity generated and produced at the respective power generation stations. The overall operation efficiency of each of their power generation stations in Jiangsu and Jiangxi will be enhanced as a result of the economies of scale mainly attributable to the expected decrease in overheads, investment and financing costs of the power generation station with the increased production volume.

New Jiangsu Lease Agreement and New Jiangxi Lease Agreement

The New Jiangsu Lease Agreement and New Jiangxi Lease Agreement were entered into with a view for the various subsidiaries of LMC and LMP to take advantage of the strategic location of the office and accommodation facilities of each other and to enhance and promote the strategic positioning and the business operation efficiency of LMC and LMP in Jiangsu and Jiangxi province. The income received by LMC and LMP from leasing their facilities to each other will also provide long-term and steady income flow for both groups and maximise utility of otherwise vacant premises.

New Jiangsu Purchase Agreement

The New Jiangsu Purchase Agreement will secure a long-term and steady supply of industrial chemical products to ensure fulfilment of the production needs of Jiangsu Paper. The sale of industrial chemical products provides a long-term and steady income flow for Jiangsu Chemical and creates synergy between both groups.

The close proximity of both parties' production facilities in Jiangsu also reduces transportation costs and provides a convenient and efficient platform for LMP to purchase and LMC to sell industrial chemical products.

The Directors (including the independent non-executive Directors) are of the view that the New Continuing Connected Transaction Agreements are in the ordinary and usual course of LMP's and LMC's businesses. The Directors (including the independent non-executive Directors) are also of the view that the terms of the New Continuing Connected Transaction Agreements are fair and reasonable, on normal commercial terms and in the interests of each of LMP, LMC and their shareholders as a whole.

F. GENERAL

LMP and its subsidiaries are principally engaged in large-scale paper manufacturing and specialize in the production of linerboard and corrugating medium. The principal business of Jiangsu Paper and Jiangxi Paper is the manufacturing and trading of paper with production facilities in Jiangsu and Jiangxi respectively.

LMC and its subsidiaries are principally engaged in the manufacture and sale of industrial chemical products. The principal business of Jiangsu Chemical and Jiangxi Chemical is in the production and sales of industrial chemical products with the production facilities in Jiangsu and Jiangxi respectively.

Jiangsu Chemical and Jiangxi Chemical are both indirect wholly-owned subsidiaries of LMC, an associate of Mr. Lee Wan Keung Patrick, the ultimate controlling shareholder of LMP. As at the date of this announcement, Mr. Lee Wan Keung Patrick holds 100% of Gold Best Holdings Ltd., which in turn is interested in approximately 54.32% of the shares in LMP. Mr. Lee Wan Keung Patrick, is also the ultimate controlling shareholder of LMC (through his shareholding interest in Fortune Star Tradings Ltd. ("Fortune Star")), the controlling shareholder of LMC). As at the date of this announcement, Fortune Star is interested in approximately 75% of the shares in LMC and Mr. Lee Wan Keung Patrick is interested in 55% of the shares in Fortune Star. Accordingly, the

transactions under the New Continuing Connected Transaction Agreements constitute continuing connected transactions of both LMP and LMC under the Listing Rules. LMP does not hold any shares in LMC and vice versa as at the date of this announcement.

Save and except Mr. Lee Wan Keung Patrick's associates who had abstained from voting on the board resolutions of LMP in relation to the New Continuing Connected Transaction Agreements, no other director of LMP or LMC has a material interest in the New Continuing Connected Transaction Agreements or is required to abstain from voting at the board meetings of LMP and LMC in relation to the same.

Notwithstanding the above, Mr. Lee Man Chun Raymond, Mr. Lee Man Bun and Mr. Li King Wai Ross of LMP, and Ms. Wai Siu Kee and Mr. Lee Man Yan of LMC had voluntarily abstained from voting on the relevant board resolutions approving the aforesaid transactions to avoid any impression of there being a conflict of interest in the matters to be resolved.

G. LISTING RULE IMPLICATIONS

LMP

In respect of LMP, save for the New Jiangsu Lease Annual Caps and New Jiangxi Lease Annual Caps which are both individually less than 0.1% of the relevant percentage ratios under the Listing Rules and fully exempt from the reporting, announcement and shareholders' approval requirements of the Listing Rules, the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps and the New Jiangsu Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Jiangsu Steam and Electricity Agreement, New Jiangxi Steam and Electricity Agreement, New Jiangsu Purchase Agreement and their respective annual caps will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements of the Listing Rules.

LMC

In respect of LMC, the relevant percentage ratios under the Listing Rules for each of the New Jiangxi Steam and Electricity Annual Caps, New Jiangsu Lease Annual Caps, New Jiangxi Lease Annual Caps and the New Jiangsu Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Jiangxi Steam and Electricity Agreement, New Jiangsu Lease Agreement, New Jiangxi Lease Agreement, New Jiangsu Purchase Agreement and their respective annual caps will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements of the Listing Rules.

The relevant percentage ratios under the Listing Rules for the New Jiangsu Steam and Electricity Annual Caps are, on an annual basis for LMC, more than 5% and more than HK\$10 million. Accordingly, the New Jiangsu Steam and Electricity Agreement and its annual caps will be subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

The independent board committee of LMC has been established by LMC to provide recommendation to the independent shareholders of LMC in respect of the New Jiangsu Steam and Electricity Agreement. Quam Capital Limited has been appointed as the independent financial adviser of LMC to advise the independent board committee of LMC and the independent shareholders of LMC in this regard.

The extraordinary general meeting of LMC will be convened and held for the independent shareholders of LMC to consider and, if thought fit, approve the continuing connected transactions contemplated under the New Jiangsu Steam and Electricity Agreement.

Details in connection with the New Jiangsu Steam and Electricity Agreement (including the expected annual caps), the recommendation of the independent board committee of LMC and the advice of the independent financial adviser of LMC, regarding the aforesaid transaction will be included in the circular to be issued by LMC. Given that considerable time is required to ascertain, obtain and prepare the related information for the inclusion in the circular and coupled with the upcoming Chinese New Year public holidays in the PRC and in Hong Kong in February, LMC expects that there would be some delays in the preparation of such information to be included in the circular and accordingly, the aforesaid circular together with the notice of LMC extraordinary general meeting is expected to be despatched to the shareholders of LMC on or before 13 March 2015.

H. DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of LMP and LMC;
“Existing Continuing Connected Transaction Agreements”	the Existing Jiangsu Agreement, Existing Jiangxi Agreement, Existing Jiangsu Lease Agreement and Existing Purchase Agreement collectively;
“Existing Jiangsu 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 joint announcement of LMP and LMC dated 25 October 2012;
“Existing Jiangsu Annual Caps”	the maximum annual consideration for providing steam and electricity by Jiangsu Paper to Jiangsu Chemical under the Existing Jiangsu Agreement for the three years ended 31 December 2012, 2013 and 2014, details of which are set out in the joint announcement of LMP and LMC dated 25 October 2012;

“Existing Jiangsu Lease Agreement”	the agreement dated 25 October 2012 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper (as lessor) would lease the use of certain office spaces and properties to Jiangsu Chemical (as lessee), details of which are set out in the joint announcement of LMP and LMC dated 25 October 2012;
“Existing Jiangxi Agreement”	the agreement dated 25 October 2012 between Jiangxi Chemical and Jiangxi Paper in relation to the supply of steam and electricity by Jiangxi Chemical to Jiangxi Paper, details of which are set out in the joint announcement of LMP and LMC dated 25 October 2012;
“Existing Jiangxi Annual Caps”	the maximum annual consideration for providing steam and electricity by Jiangxi Chemical to Jiangxi Paper under the Existing Jiangxi Agreement for the three years ended 31 December 2012, 2013 and 2014, details of which are set out in the joint announcement of LMP and LMC dated 25 October 2012;
“Existing Purchase Agreement”	the agreement dated 25 October 2012 between Jiangsu Paper and Jiangsu Chemical in relation to the supply of various industrial chemical products to Jiangsu Paper from Jiangsu Chemical, details of which are set out in the joint announcement of LMP and LMC dated 25 October 2012;
“Existing Purchase Annual Caps”	the maximum annual consideration for providing various industrial chemical products by Jiangsu Chemical to Jiangsu Paper under the Existing Purchase Agreement for the three years ended 31 December 2012, 2013 and 2014, details of which are set out in the joint announcement of LMP and LMC dated 25 October 2012;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of LMC;
“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 LMP;

“Jiangxi Chemical”	Jiangxi Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of LMC;
“Jiangxi Paper”	Jiangxi Lee & Man Paper Manufacturing Company Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of LMP;
“kWh”	unit of electricity, i.e. kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LMC”	Lee & Man Chemical Company Limited (formerly known as Lee & Man Holding Limited), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“LMP”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“New Continuing Connected Transaction Agreements”	the New Jiangsu Steam and Electricity Agreement, New Jiangxi Steam and Electricity Agreement, New Jiangsu Lease Agreement, New Jiangxi Lease Agreement and New Jiangsu Purchase Agreement collectively;
“New Jiangsu Lease Agreement”	the agreement dated 9 February 2015 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper (as lessor) would lease the use of certain office space and properties to Jiangsu Chemical (as lessee), details of which are set out in this announcement;
“New Jiangsu Lease Annual Caps”	the maximum annual consideration to be paid or received for leasing the use of office spaces and properties under the New Jiangsu Lease Agreement for each of the three financial years ending 31 December 2015, 2016 and 2017, details of which are set out in this announcement;
“New Jiangsu Purchase Agreement”	the agreement dated 9 February 2015 entered into between Jiangsu Paper (as purchaser) and Jiangsu Chemical (as supplier) pursuant to which Jiangsu Chemical would supply various industrial chemical products to Jiangsu Paper, details of which are set out in this announcement;

“New Jiangsu Purchase Annual Caps”	the maximum annual consideration to be paid or received for the supply of various industrial chemical products to Jiangsu Paper under the New Jiangsu Purchase Agreement for each of the three financial years ending 31 December 2015, 2016 and 2017, details of which are set out in this announcement;
“New Jiangsu Steam and Electricity Agreement”	the agreement dated 9 February 2015 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 this announcement;
“New Jiangsu Steam and Electricity Annual Caps”	the maximum annual consideration to be paid or received for providing services to generate electricity and steam by Jiangsu Paper to Jiangsu Chemical under the New Jiangsu Steam and Electricity Agreement for each of the three financial years ending 31 December 2015, 2016 and 2017, details of which are set out in this announcement;
“New Jiangxi Lease Agreement”	the agreement dated 9 February 2015 entered into between Jiangxi Paper and Jiangxi Chemical pursuant to which Jiangxi Chemical (as lessor) would lease the use of certain office space and properties to Jiangxi Paper (as lessee), details of which are set out in this announcement;
“New Jiangxi Lease Annual Caps”	the maximum annual consideration to be paid or received for leasing the use of office spaces and properties under the New Jiangxi Lease Agreement for each of the three financial years ending 31 December 2015, 2016 and 2017, details of which are set out in this announcement;
“New Jiangxi Steam and Electricity Agreement”	the agreement dated 9 February 2015 between Jiangxi Chemical and Jiangxi Paper in relation to the supply of steam and electricity by Jiangxi Chemical to Jiangxi Paper, details of which are set out in this announcement;
“New Jiangxi Steam and Electricity Annual Caps”	the maximum annual consideration to be paid or received for providing services to generate electricity and steam by Jiangxi Chemical to Jiangxi Paper under the New Jiangxi Steam and Electricity Agreement for each of the three financial years ending 31 December 2015, 2016 and 2017, details of which are set out in this announcement;

“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“ton”	a metric ton, a measurement of mass equal to 1,000 kilograms;
“VAT”	value added tax; and
“%”	per cent.

For illustration purposes only the exchange rate of RMB1 = HK\$1.25 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

By order of the Board
Lee & Man Chemical Company Limited
Wai Siu Kee
Chairman

9 February 2015

As at the date of this announcement, the board of directors of Lee & Man Paper Manufacturing Limited 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, and the board of directors of Lee & Man Chemical Company Limited comprises four executive directors, namely, Ms. Wai Siu Kee, Mr. Lee Man Yan, Mr. Yang Zuo Ning and Ms. Wong Yuet Ming, and three independent non-executive directors, namely, Mr. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron BBS JP and Mr. Heng Victor Ja Wei.