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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**

On 1 June 2017, the New Chemicals Purchase Agreement was entered into between LMC and LMP pursuant to which the LMC Group would supply various industrial chemical products to the LMP Group.

### **LISTING RULE IMPLICATIONS**

The New Chemicals Purchase Agreement constitutes continuing connected transactions for LMP and LMC.

### **LMP**

In respect of LMP, the relevant percentage ratios under the Listing Rules for the New Chemicals Purchase Annual Cap are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Chemicals Purchase Agreement and the transactions thereunder will be subject to the reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **LMC**

In respect of LMC, the relevant percentage ratios under the Listing Rules for the New Chemicals Purchase Annual Cap are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Chemicals Purchase Agreement and the transactions thereunder will be subject to the reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

\* For identification purposes only

## **A. THE BACKGROUND**

On 27 June 2014, the 2014 Chemicals Purchase Agreement was entered into between Guangdong Paper and Jiangsu Chemical, further details of which are set out in the announcement of LMC dated 27 June 2014. The 2014 Chemicals Purchase Agreement expired on 31 December 2016. On 9 February 2015, the 2015 Chemicals Purchase Agreement was entered into between Jiangsu Paper and Jiangsu Chemical, further details of which are set out in the joint announcement of LMC and LMP dated 9 February 2015.

Upon the management's latest estimation of the transaction amounts that may be incurred under the 2015 Chemicals Purchase Agreement for the year ending 31 December 2017, it is expected that the corresponding annual cap may be exceeded for the year ending 31 December 2017. Further, it is anticipated that other members of the LMP Group and the LMC Group may also be involved in the sale and purchase of industrial chemical products. Accordingly, the parties have decided to enter into the New Chemicals Purchase Agreement and agreed to the terms therein for the year ending 31 December 2017. The 2015 Chemicals Purchase Agreement was therefore terminated with effect from 1 June 2017 when the New Chemicals Purchase Agreement was entered into.

The above-mentioned New Chemicals Purchase Agreement constitutes continuing connected transactions for LMP and LMC and further details of the agreement are set out below.

## **B. THE NEW CHEMICALS PURCHASE AGREEMENT**

### **New Chemicals Purchase Agreement**

Date: 1 June 2017

Parties: (i) LMP (as purchaser)  
(ii) LMC (as supplier)

Nature of Transaction: LMP (or any other member of the LMP Group) will purchase various industrial chemical products from LMC (or any other member of the LMC Group) at a price based on the prevailing market price per ton at the time an order is placed.

The LMC Group will be responsible for the transportation of the industrial chemical products to the LMP Group while the transportation costs will be borne by the LMP Group.

There is no minimum amount of industrial chemical products required to be purchased by the LMP Group.

Term of Agreement: From the date of the Agreement up to and including 31 December 2017.

Payment: Delivery will be made by the LMC Group within 3 business days of the placement of the relevant purchase order by the LMP Group specifying the type and amount of industrial chemical products required.

The relevant member of the LMC Group will issue monthly sales invoices to the relevant member of the LMP Group and such invoices shall be settled in cash by the relevant member of the LMP Group (using its internal resources) within 30 days of the date of issue of the sales invoices.

Pricing Policy: The price and terms of payment under the New Chemicals Purchase Agreement will be determined by reference to the prevailing market prices at the relevant time when purchase orders are made provided that the prices charged by the LMC Group shall not be higher than that available from independent third party suppliers. The management staff of the relevant member of the LMP Group will monitor and take samples of the market prices for relevant industrial chemical products available from at least two independent third party suppliers on a monthly basis to ensure prices charged by the LMC Group do not exceed those of independent third party suppliers.

Considering the pricing policy as outlined above and that the transactions contemplated under the New Chemicals Purchase Agreement will be subject to annual review by the independent non-executive Directors and the auditors of LMC and LMP, respectively, the Directors (including the independent non-executive Directors) of each of LMC and LMP believe that the pricing determination procedures outlined above are sufficient to ensure that the transactions contemplated under the New Chemicals Purchase Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of LMC or LMP (as the case may be) and their respective shareholders.

### C. HISTORICAL AMOUNTS AND ANNUAL CAPS

The aggregate transaction amounts actually incurred for the transactions under the 2014 Chemicals Purchase Agreement and the 2015 Chemicals Purchase Agreement as compared against the related annual caps for each of the years ended 31 December 2015 and 31 December 2016 are as follows:

Transaction type	Amount	
	Year ended 31 December 2015	Year ended 31 December 2016
<b>2014 Chemicals Purchase Agreement</b>		
Actual transactions amounts		
<b>Purchase of various industrial chemical products from Jiangsu Chemical by Guangdong Paper</b>	approximately RMB6 million (approximately HK\$6.8 million)	approximately RMB6 million (approximately HK\$6.8 million)
Annual cap		
	RMB12 million (approximately HK\$13.6 million)	RMB12 million (approximately HK\$13.6 million)
<b>2015 Chemicals Purchase Agreement</b>		
Actual transactions amounts		
<b>Purchase of various industrial chemical products from Jiangsu Chemical by Jiangsu Paper</b>	approximately RMB5 million (approximately HK\$5.7 million)	approximately RMB6 million (approximately HK\$6.8 million)
Annual cap		
	RMB30 million (approximately HK\$34.1 million)	RMB30 million (approximately HK\$34.1 million)

For each of the two years ended 31 December 2015 and 31 December 2016, the aggregate transaction amounts actually incurred for the purchase of various industrial chemical products between the LMP Group and the LMC Group pursuant to the 2014 Chemicals Purchase Agreement and the 2015 Chemicals Purchase Agreement were approximately RMB11 million (approximately HK\$12.5 million) and approximately RMB12 million (approximately HK\$13.6 million), respectively.

The aggregate transaction amount actually incurred for the purchase of various industrial chemical products between the LMP Group and the LMC Group from 1 January 2017 up to 31 May 2017 was approximately RMB7 million (approximately HK\$8.0 million).

#### **D. NEW ANNUAL CAP**

The proposed New Chemicals Purchase Annual Cap for the period commencing from the 1 January 2017 and ending on 31 December 2017 is RMB66 million (approximately HK\$75.0 million).

The New Chemicals Purchase Annual Cap has been determined by reference to (i) the value of historical sales between members of the LMC Group and the LMP Group for the years ended 31 December 2015 and 31 December 2016 and the period from 1 January 2017 to 31 May 2017, (ii) the LMP Group's anticipated consumption requirements for the rest of 2017, (iii) the production capacity and estimated quantity of industrial chemical products to be manufactured by the LMC Group and (iv) actual and anticipated market price fluctuations for the period from 1 June 2017 up to and including 31 December 2017.

In determining the proposed New Chemicals Purchase Annual Cap, the parties have also taken into account the assumption that during the term of the New Chemicals Purchase Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the LMP Group and/or the LMC Group.

#### **E. REASONS AND BENEFITS FOR THE TRANSACTION**

The New Chemicals Purchase Agreement will secure a steady supply of industrial chemical products to ensure fulfilment of the production needs of LMP Group for the rest of 2017. The sale of industrial chemical products provides a steady income flow for the LMC Group and creates synergy between both groups.

The close proximity of both LMP and LMC's production facilities in some locations (for example, 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) of each of LMP and LMC are of the view that the New Chemicals Purchase Agreement is 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 Chemicals Purchase Agreement are fair and reasonable, on normal commercial terms and are 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, corrugating medium and tissue paper.

LMC and its subsidiaries are principally engaged in the manufacture and sale of chemical products.

As at the date of this announcement, Mr. Lee Wan Keung Patrick indirectly holds approximately 56.2% of the shares in LMP and is the ultimate controlling shareholder of 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 Chemicals Purchase Agreement 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.

Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, who are Directors of LMP and associates of Mr. Lee Wan Keung Patrick, and Mr. Wong Kai Tung Tony, who is a Director of both LMP and LMC, had abstained from voting on the board resolutions of LMP in relation to the New Chemicals Purchase Agreement. Ms. Wai Siu Kee and Mr. Lee Man Yan, who are Directors of LMC and associates of Mr. Lee Wan Keung Patrick, and Mr. Wong Kai Tung Tony, who is a Director of both LMP and LMC, had abstained from voting on the board resolutions of LMC in relation to the New Chemicals Purchase Agreement.

Save as aforesaid, no other director of LMP or LMC has any material interest in the New Chemicals Purchase Agreement or was required to abstain from voting at the board meetings of LMP and LMC in relation to the same.

Mr. Li King Wai Ross, a Director of LMP and son-in-law of Mr. Lee Wan Keung Patrick, had voluntarily abstained from voting on the board resolutions of LMP in relation to the New Chemicals Purchase Agreement to avoid the perception of conflict of interest.

## **G. LISTING RULE IMPLICATIONS**

### **LMP**

In respect of LMP, the relevant percentage ratios under the Listing Rules for the New Chemicals Purchase Annual Cap are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Chemicals Purchase Agreement and the transactions thereunder will be subject to the reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **LMC**

In respect of LMC, the relevant percentage ratios under the Listing Rules for the New Chemicals Purchase Annual Cap are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the New Chemicals Purchase Agreement and the transactions thereunder will be subject to the reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## H. DEFINITIONS

The following defined terms are used in this announcement:

“2014 Chemicals Purchase Agreement”	the agreement dated 27 June 2014 entered into between Guangdong Paper (as purchaser) and Jiangsu Chemical (as supplier) in relation to the supply of various industrial chemical products to Guangdong Paper from Jiangsu Chemical, details of which are set out in the announcement of LMC dated 27 June 2014;
“2015 Chemicals Purchase Agreement”	the agreement dated 9 February 2015 between Jiangsu Paper (as purchaser) and Jiangsu Chemical (as supplier) 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 9 February 2015;
“associate”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of LMP and LMC, as the case may be;
“Guangdong Paper”	Guangdong Lee & Man Paper Manufacturing Limited 廣東理文造紙有限公司, a company established in the PRC and an indirect wholly-owned subsidiary of LMP;
“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 company established in the PRC and an indirect wholly-owned subsidiary of LMP;
“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, the shares of which are listed on the Stock Exchange;
“LMC Group”	LMC and its subsidiaries;

“LMP”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“LMP Group”	LMP and its subsidiaries;
“New Chemicals Purchase Agreement”	the agreement dated 1 June 2017 entered into between LMC (as supplier) and LMP (as purchaser) pursuant to which the LMC Group would supply various industrial chemical products to the LMP Group, details of which are set out in this announcement;
“New Chemicals Purchase Annual Cap”	the maximum consideration to be paid or received for the supply of various industrial chemical products to the LMP Group under the New Chemicals Purchase Agreement for the period from 1 January 2017 and ending on 31 December 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; and
“%”	per cent.

*For illustration purposes only the exchange rate of HK\$1 = RMB0.88 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*

1 June 2017

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