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LEE & MAN CHEMICAL COMPANY LIMITED

理文化工有限公司

(Incorporated in the Cayman Islands with limited liability)

Website : <http://www.leeman.com.hk>

(Stock Code: 746)

CONTINUING CONNECTED TRANSACTIONS

The Agreement

On 27 June 2014, Jiangsu Chemical and Guangdong Paper entered into the Agreement pursuant to which Jiangsu Chemical agrees to supply to Guangdong Paper and Guangdong Paper agrees to purchase from Jiangsu Chemical industrial chemical products for a term from 27 June 2014 to 31 December 2016.

The above Agreement constitutes continuing connected transactions for the Company.

The relevant percentage ratios under the Listing Rules for the Annual Caps are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the Agreement, pursuant to Rule 14A.34 of the Listing Rules, is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. THE BACKGROUND

On 27 June 2014, Jiangsu Chemical and Guangdong Paper entered into the Agreement pursuant to which Jiangsu Chemical agrees to supply to Guangdong Paper and Guangdong Paper agrees to purchase from Jiangsu Chemical industrial chemical products for a term from 27 June 2014 to 31 December 2016.

The above Agreement constitutes continuing connected transactions for the Company and further details of the Agreement are set out below.

B. THE AGREEMENT

Date: 27 June 2014

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

Nature of Transaction and pricing: Guangdong Paper will purchase industrial chemical products from Jiangsu Chemical on normal commercial terms and at a price based on the prevailing market price per ton at time of placing order by Guangdong Paper. Specifically, a sample price taken from not less than three independent third party suppliers of similar industrial chemical products, will be obtained at the beginning of each month. The monthly price of the industrial chemical products sold under the Agreement will be determined based on the average price of these samples and the terms of the sale will be comparable to such market sample. All these price and terms will be finally approved by the management on a monthly basis to ensure the Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

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

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

Term of Agreement: 27 June 2014 to until 31 December 2016.

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

Jiangsu Chemical will issue monthly sales invoices to Guangdong Paper and such invoices shall be settled in cash by Guangdong Paper within 30 days of the date of issue of the sales invoices.

C. ANNUAL CAPS

The Company proposes that the Annual Caps for each of the three financial years ending 31 December 2014, 2015 and 2016 be as follows:-

	Amount (excluding value-added tax)		
	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
Annual Caps	RMB 12,000,000 (approximately HK\$15,000,000)	RMB 12,000,000 (approximately HK\$15,000,000)	RMB 12,000,000 (approximately HK\$15,000,000)

The Annual Caps have been determined by reference to (i) Guangdong Paper's anticipated consumption requirements; (ii) the production capacity and estimated quantity of industrial chemical products to be manufactured by Jiangsu Chemical; and (iii) anticipated market price fluctuations for the period from 27 June 2014 until 31 December 2016.

D. REASONS FOR AND BENEFITS OF THE AGREEMENT

The Agreement was negotiated and agreed on an arms' length basis between the parties and based on normal commercial terms.

The sales of industrial chemical products to Guangdong Paper under the Agreement will provide a long-term and steady income flow for Jiangsu Chemical.

The Directors (including independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

E. GENERAL

Guangdong Paper is an indirect wholly-owned subsidiary of LMP. 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 Guangdong Paper is the manufacturing and trading of paper.

Jiangsu Chemical is an indirect wholly-owned subsidiary of the Company. The Company and its subsidiaries are principally engaged in the manufacture and sales of chemical products. The principal business of Jiangsu Chemical is in the manufacture and sales of chloromethane products and caustic soda.

As at the date of this announcement, Mr Lee Wan Keung Patrick is the ultimate controlling shareholder of LMP as he indirectly holds approximately 54.3% of the total issued share capital of LMP as at the date of this announcement. As at the date of this announcement, Mr. Lee Wan Keung Patrick is also the ultimate controlling shareholder of the Company (through his shareholding interest in Fortune Star Tradings Ltd. (“Fortune Star”), the controlling shareholder of the Company). As at the date of this announcement, Fortune Star is interested in approximately 75% of the shares in the Company and Mr. Lee Wan Keung Patrick is interested in 55% of the shares in Fortune Star.

Accordingly, the Agreement constitutes continuing connected transactions of the Company under the Listing Rules. The Company does not hold any shares in LMP and vice versa as at the date of this announcement.

No Director has a material interest in the Agreement or is required to abstain from voting at the board meetings of the Company in relation to the same.

The relevant percentage ratios under the Listing Rules for the Annual Caps are, on an annual basis, more than 0.1% but less than 5%. Accordingly, the Agreement, pursuant to Rule 14A.34 of the Listing Rules, is only subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

F. DEFINITIONS

The following defined terms are used in this announcement:

“Agreement”	the agreement dated 27 June 2014 entered into between Jiangsu Chemical (as supplier) and Guangdong Paper (as purchaser) pursuant to which Jiangsu Chemical agrees to supply to Guangdong Paper and Guangdong Paper agrees to purchase from Jiangsu Chemical industrial chemical products, details of which are set out in this announcement;
“Annual Caps”	the maximum annual consideration to be received by Jiangsu Chemical for the supply of industrial chemical products to Guangdong Paper under the Agreement for each of the three financial years ending 31 December 2014, 2015 and 2016, details of which are set out in this announcement;
"associate"	has the meaning ascribed thereto in the Listing Rules;
“Company”	Lee & Man Chemical Company Limited 理文化工有限公司, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Director”	a director of the Company;

"Guangdong Paper"	Guangdong Lee & Man Paper Manufacturing Company 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 Hong Kong;
"Jiangsu Chemical"	Jiangsu Lee & Man Chemical Limited 江苏理文化化工有限公司, a wholly-owned foreign investment enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
"Listing Rules"	the Rules Governing the Listing of Securities 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;
"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 RMB 1 = HK\$1.25 has been adopted for translating RMB into HK\$ in this announcement.

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

27 June 2014

As at the date of this announcement, the board of directors of the Company 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.