

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

NEW JIANGSU STEAM AND ELECTRICITY AGREEMENT

On 25 October 2012, the New Jiangsu Steam and Electricity Agreement was entered into between Jiangsu Paper and Jiangsu Chemical to replace the Existing Jiangsu Agreements and provide for the continuation of services to generate steam and electricity for Jiangsu Chemical. The New Jiangsu Steam and Electricity Agreement has a term of three years commencing with effect from 1 January 2012 up to and including 31 December 2014.

NEW JIANGXI STEAM AND ELECTRICITY AGREEMENT

On 25 October 2012, 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, for the provision by Jiangxi Chemical of services to generate steam and electricity to Jiangxi Paper. The New Jiangxi Steam and Electricity Agreement has a term of two years commencing with effect from 1 January 2013 up to and including 31 December 2014.

NEW LEASE AGREEMENT

On 25 October 2012, Jiangsu Paper and Jiangsu Chemical entered into the New Lease Agreement 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, to Jiangsu Chemical. The New Lease Agreement has a term of three years commencing with effect from 1 January 2012 up to and including 31 December 2014.

* For identification purposes only

NEW PURCHASE AGREEMENT

On 25 October 2012, the New Purchase Agreement was entered into between Jiangsu Paper and Jiangsu Chemical to replace the Existing Purchase Agreement and provide for the continuation of supply of various industrial chemical products by Jiangsu Chemical to Jiangsu Paper. The New Purchase Agreement has a term of three years commencing with effect from 1 January 2012 up to and including 31 December 2014.

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

Save for the New Lease Annual Caps in respect of LMP which are less than 0.1% of the relevant percentage ratios under the Listing Rules, the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps and the New Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5% for LMP. In respect of LMC, the relevant percentage ratios under the Listing Rules for each of the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps, New Lease Annual Caps and the New Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, the Continuing Connected Transaction Agreements, pursuant to Rule 14A.34 of the Listing Rules, are 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

New Jiangsu Steam and Electricity Agreement

On 27 May 2011, Jiangsu Paper, an indirect wholly-owned subsidiary of LMP, entered into the Existing Jiangsu Agreements with Jiangsu Chemical, an indirect wholly-owned subsidiary of LMC. Details of the Existing Jiangsu Agreements and their respective Existing Jiangsu Annual Caps for (i) the three years ended 31 March 2012, and ending 31 March 2013 and 2014 in respect of LMP and (ii) the three years ended 31 December 2011 and ending 31 December 2012 and 2013 in respect of LMC, are set out in the announcements of LMP and LMC both dated 27 May 2011.

On 25 October 2012, the New Jiangsu Steam and Electricity Agreement was entered into between the same parties to replace the Existing Jiangsu Agreements and provide for the continuation of services to generate steam and electricity for Jiangsu Chemical. The New Jiangsu Steam and Electricity Agreement has a term of three years commencing with effect from 1 January 2012 up to and including 31 December 2014.

New Jiangxi Steam and Electricity Agreement

On 25 October 2012, 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, for the provision by Jiangxi Chemical of services to generate steam and electricity to Jiangxi Paper. The New Jiangxi Steam and Electricity Agreement has a term of two years commencing with effect from 1 January 2013 up to and including 31 December 2014.

New Lease Agreement

On 25 October 2012, Jiangsu Paper and Jiangsu Chemical entered into the New Lease Agreement 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, to Jiangsu Chemical. The New Lease Agreement has a term of three years commencing with effect from 1 January 2012 up to and including 31 December 2014.

New Purchase Agreement

On 28 July 2010, Jiangsu Paper and Jiangsu Chemical entered into the Existing Purchase Agreement pursuant to which Jiangsu Paper would purchase from Jiangsu Chemical, various industrial chemical products. Details of the Existing Purchase Agreement and the respective Existing Purchase Annual Caps for (i) the three years ended 31 March 2011 and 2012 and ending 31 March 2013 in respect of LMP and (ii) the three years ended 31 December 2010 and 2011 and ending 31 December 2012 in respect of LMC, are set out in the announcements of LMP and LMC both dated 28 July 2010.

On 25 October 2012, the New Purchase Agreement was entered into between the same parties to replace the Existing Purchase Agreement and provide for the continuation of supply of various industrial chemical products by Jiangsu Chemical to Jiangsu Paper. The New Purchase Agreement has a term of three years commencing with effect from 1 January 2012 up to and including 31 December 2014.

The above 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: 25 October 2012

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 (excluded 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 (excluded 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, electricity 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 steam pipelines, electricity cables and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 January 2012 up to and including 31 December 2014.

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 the steam and electricity but subject to the limits of the New Jiangsu Steam and Electricity Annual Caps.

Under the New Jiangsu Steam and Electricity Agreement, the steam and electricity service fees were based on the estimated supply costs (including overheads and the financing costs of the electricity and steam generating facilities) of Jiangsu Paper. The New Jiangsu Steam and Electricity Agreement was negotiated and determined on an arm's length basis based on normal commercial terms. The Existing Jiangsu Agreements and Existing Jiangsu Annual Caps will be superseded by the New Jiangsu Steam and Electricity Agreement and the New Jiangsu Steam and Electricity Annual Caps.

2. New Jiangxi Steam and Electricity Agreement

Date: 25 October 2012

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 (excluded 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 (excluded 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, electricity 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 steam pipelines, electricity cables and relevant facilities.

Term of Agreement: 2 years commencing with effect from 1 January 2013 up to and including 31 December 2014.

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.

Under the New Jiangxi Steam and Electricity Agreement, the steam and electricity service fees were based on the estimated supply costs (including overheads and the financing costs of the electricity and steam generating facilities) of Jiangxi Chemical. The New Jiangxi Steam and Electricity Agreement was negotiated and determined on an arm's length basis based on normal commercial terms.

3. New Lease Agreement

Date: 25 October 2012

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 and as further described below:–

- 1) Third floor office spaces (at a monthly rate of RMB6,081.39)
- 2) Staff quarters (at a monthly rate of RMB538.00 per room)
- 3) Guestrooms (to be determined based on actual usage)

The monthly rates for the above facilities was arrived at on normal commercial terms after arm's length negotiation with reference to prevailing market rates of similar commercial premises in Jiangsu province.

Term of Agreement: 3 years commencing with effect from 1 January 2012 up to and including 31 December 2014.

Payment: Subject to the limits of the New Lease Annual Caps, payment of the rent shall be made by Jiangsu Chemical (using its internal resources) on the first business day of each month by way of bank transfer to the lessor's designated bank account.

4. New Purchase Agreement

Date:	25 October 2012
Parties:	(i) Jiangsu Chemical (as supplier) (ii) Jiangsu Paper (as purchaser)
Nature of Transaction:	<p>Jiangsu Paper will purchase various industrial chemical products from Jiangsu Chemical at a price based on the prevailing market price per ton at time of placing order by Jiangsu Paper.</p> <p>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.</p> <p>There is no minimum amount of industrial chemical products required to be purchased by Jiangsu Paper.</p>
Term of Agreement:	3 years commencing with effect from 1 January 2012 up to and including 31 December 2014.
Payment:	<p>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.</p> <p>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.</p>

The price and terms of payment under the New Purchase Agreement were determined by reference to the prevailing market prices and were on normal commercial terms. The Existing Purchase Agreement and Existing Purchase Annual Caps will be superseded by the New Purchase Agreement and the New Purchase Annual Caps.

C. HISTORICAL AMOUNTS AND ANNUAL CAPS

Historical amounts and the corresponding historical annual caps under the Existing Jiangsu Agreements and the Existing Purchase Agreement

LMP

The actual aggregate consideration for the services provided under the Existing Jiangsu Agreements and the Existing Purchase Agreement compared against the related annual caps for each of the years ended 31 March 2010 to 31 March 2012 in relation to LMP were as follows:–

Transaction type	Amount		
	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012
Existing Jiangsu Agreements			
	Actual consideration		
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB32,650,000 (approximately HK\$40,029,000)	RMB12,874,000 (approximately HK\$15,784,000)	RMB16,717,000 (approximately HK\$20,495,000)
	Annual cap		
	RMB50,000,000 (approximately HK\$61,300,000)	RMB20,100,000 (approximately HK\$24,643,000)	RMB17,100,000 (approximately HK\$20,965,000)
	Actual consideration		
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB22,169,000 (approximately HK\$27,179,000)	RMB38,222,000 (approximately HK\$46,860,000)	RMB54,685,000 (approximately HK\$67,044,000)
	Annual cap		
	RMB30,000,000 (approximately HK\$36,780,000)	RMB44,800,000 (approximately HK\$54,925,000)	RMB54,960,000 (approximately HK\$67,381,000)
	Actual consideration		
Total:	RMB54,819,000 (approximately HK\$67,208,000)	RMB51,096,000 (approximately HK\$62,644,000)	RMB71,402,000 (approximately HK\$87,539,000)
	Annual cap		
	RMB80,000,000 (approximately HK\$98,080,000)	RMB64,900,000 (approximately HK\$79,568,000)	RMB72,060,000 (approximately HK\$88,346,000)

Transaction type	Amount		
	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012
Existing Purchase Agreement			
	Actual consideration		
Purchase of various industrial chemical products from Jiangsu Chemical by Jiangsu Paper	RMB8,016,000 (approximately HK\$9,828,000)	RMB12,644,000 (approximately HK\$15,502,000)	RMB5,964,000 (approximately HK\$7,312,000)
	Annual cap		
	RMB8,016,000 (approximately HK\$9,828,000)	RMB22,000,000 (approximately HK\$26,972,000)	RMB28,500,000 (approximately HK\$34,941,000)

LMC

The actual aggregate consideration for the services provided under the Existing Jiangsu Agreements and the Existing Purchase Agreement compared against the related annual caps for each of the years ended 31 December 2009 to 31 December 2011 in relation to LMC were as follows:–

Transaction type	Amount		
	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011
Existing Jiangsu Agreements			
	Actual consideration		
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB27,944,000 (approximately HK\$34,259,000)	RMB18,687,000 (approximately HK\$22,910,000)	RMB14,720,000 (approximately HK\$18,047,000)
	Annual cap		
	RMB50,000,000 (approximately HK\$61,300,000)	RMB23,918,000 (approximately HK\$29,323,000)	RMB17,850,000 (approximately HK\$21,884,000)
	Actual consideration		
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB18,779,000 (approximately HK\$23,023,000)	RMB33,270,000 (approximately HK\$40,789,000)	RMB44,797,000 (approximately HK\$54,921,000)
	Annual cap		
	RMB30,000,000 (approximately HK\$36,780,000)	RMB39,437,000 (approximately HK\$48,350,000)	RMB52,420,000 (approximately HK\$64,267,000)

Transaction type	Amount		
	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011
Existing Jiangsu Agreements			
	Actual consideration		
Total:	RMB46,723,000 (approximately HK\$57,282,000)	RMB51,957,000 (approximately HK\$63,699,000)	RMB59,517,000 (approximately HK\$72,968,000)
	Annual cap		
	RMB80,000,000 (approximately HK\$98,080,000)	RMB63,355,000 (approximately HK\$77,673,000)	RMB70,270,000 (approximately HK\$86,151,000)
Existing Purchase Agreement			
	Actual consideration		
Purchase of various industrial chemical products from Jiangsu Chemical by Jiangsu Paper	RMB6,672,000 (approximately HK\$8,180,000)	RMB9,298,000 (approximately HK\$11,399,000)	RMB5,759,000 (approximately HK\$7,061,000)
	Annual cap		
	RMB6,672,000 (approximately HK\$8,180,000)	RMB15,018,000 (approximately HK\$18,412,000)	RMB27,000,000 (approximately HK\$33,102,000)

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 Purchase Annual Caps and the New Lease Annual Caps for each of the three years commencing with effect from 1 January 2012 up to and including 31 December 2014, be as follows:–

Type of Transaction	Amount		
	Year ending 31 December 2012	Year ending 31 December 2013	Year ending 31 December 2014
New Jiangsu Steam and Electricity Annual Caps	RMB70,789,000 (approximately HK\$86,787,000)	RMB70,789,000 (approximately HK\$86,787,000)	RMB70,789,000 (approximately HK\$86,787,000)
New Jiangxi Steam and Electricity Annual Caps	Not applicable	RMB30,689,000 (approximately HK\$37,625,000)	RMB61,377,000 (approximately HK\$75,248,000)
New Purchase Annual Caps	RMB30,000,000 (approximately HK\$36,780,000)	RMB30,000,000 (approximately HK\$36,780,000)	RMB30,000,000 (approximately HK\$36,780,000)
New Lease Annual Caps	RMB5,000,000 (approximately HK\$6,130,000)	RMB5,000,000 (approximately HK\$6,130,000)	RMB5,000,000 (approximately HK\$6,130,000)

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 electricity and steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements, the production plans and the related estimated electricity and steam requirements of Jiangsu Chemical and Jiangsu Paper for the period from 1 January 2012 up to and including 31 December 2014, 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 taking into account Jiangxi Chemical's own anticipated consumption requirements, the spare electricity and steam capacity of Jiangxi Chemical available for Jiangxi Paper's requirements, the production plans and the related estimated electricity and steam requirements of Jiangxi Paper and Jiangxi Chemical for the period from 1 January 2013 up to and including 31 December 2014, 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 Purchase Annual Caps

The New Purchase Annual Caps have been determined by reference to (i) the value of historical sales between Jiangsu Chemical and Jiangsu Paper as set out above, (ii) Jiangsu Paper'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 2012 up to and including 31 December 2014.

New Lease Annual Caps

The New Lease Annual Caps were based on the agreed monthly lease rates under the New Lease Agreement which was arrived at on normal commercial terms after arm's length negotiation with reference to prevailing market rates for similar commercial premises in Jiangsu province.

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 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 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 LMP and LMC located in Jiangsu and Jiangxi.

This arrangement will also help both LMC and LMP to improve the utilisation of their 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 Purchase Agreement

The New Purchase Agreement will secure a long-term and steady supply of industrial chemical products to ensure fulfilment of Jiangsu Paper's production needs. The sales of industrial chemical products to Jiangsu Paper provides a long-term and steady income flow for Jiangsu Chemical.

The close proximity of the Jiangsu Paper's production facilities in Jiangsu and the production facilities of Jiangsu Chemical also reduces transportation costs and provides a convenient and efficient platform for Jiangsu Paper to purchase industrial chemical products from Jiangsu Chemical and for Jiangsu Chemical to supply the same to Jiangsu Paper.

New Lease Agreement

The New Lease Agreement was entered into with a view for Jiangsu Chemical to take advantage of the strategic location of the office and accommodation facilities of Jiangsu Paper and to enhance and promote the strategic positioning and the business operation efficiency of Jiangsu Chemical in Jiangsu province. The income received by Jiangsu Paper from leasing the aforesaid facilities will also provide long-term and steady income flow for Jiangsu Paper.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Continuing Connected Transaction Agreements are fair and reasonable and in the interests of the shareholders of both LMP and LMC 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 the production facilities in Jiangsu and Jiangxi respectively.

LMC and its subsidiaries are principally engaged in the manufacture and sale of chemical products. The principal business of Jiangsu Chemical and Jiangxi Chemical is in the production and sales of chloromethane and fluorochemical 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 chairman, director, and 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% 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 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 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.

Furthermore, save and except Mr. Lee Wan Keung Patrick who had abstained from voting on the board resolutions of LMP in relation to the Continuing Connected Transaction Agreements, no other director of LMP or LMC has a material interest in the 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 and Mr. Lee Man Bun had voluntarily abstained from voting on the relevant board resolutions of LMP approving the aforesaid transactions to avoid any impression of there being a conflict of interest in the matters to be resolved.

Save for the New Lease Annual Caps in respect of LMP which are less than 0.1% of the relevant percentage ratios under the Listing Rules, the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps and the New Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5% for LMP. In respect of LMC, the relevant percentage ratios under the Listing Rules for each of the New Jiangsu Steam and Electricity Annual Caps, New Jiangxi Steam and Electricity Annual Caps, New Lease Annual Caps and the New Purchase Annual Caps are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, the Continuing Connected Transaction Agreements, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

G. DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed thereto in the Listing Rules;
“Continuing Connected Transaction Agreements”	the New Jiangsu Steam and Electricity Agreement, New Jiangxi Steam and Electricity Agreement, New Lease Agreement and New Purchase Agreement;
“Existing Jiangsu Agreements”	the agreements dated 27 May 2011 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 announcements of LMP and LMC both dated 27 May 2011;
“Existing Jiangsu Annual Caps”	the maximum annual consideration for providing steam and electricity by Jiangsu Paper to Jiangsu Chemical under the Existing Jiangsu Agreements for (i) the three years ended 31 March 2012, and ending 31 March 2013 and 2014 in respect of LMP and (ii) the three years ended 31 December 2011 and ending 31 December 2012 and 2013 in respect of LMC, as set out in the announcements of LMP and LMC both dated 27 May 2011;

“Existing Purchase Agreement”	the agreement dated 28 July 2010 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 announcements of LMP and LMC both dated 28 July 2010;
“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 (i) the three years ended 31 March 2011 and 2012 and ending 31 March 2013 in respect of LMP and (ii) the three years ended 31 December 2010 and 2011 and ending 31 December 2012 in respect of LMC, as set out in the announcements of LMP and LMC both dated 28 July 2010;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Shareholders”	shareholders of both LMP and LMC other than Mr. Lee Wan Keung Patrick and his associates;
“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 Limited, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of LMP;
“kcal”	kilocalorie;
“kg”	kilogram;
“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 Jiangsu Steam and Electricity 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 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 2012, 2013 and 2014, details of which are set out in this announcement;
“New Jiangxi Steam and Electricity 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 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 two financial years ending 31 December 2013 and 2014, details of which are set out in this announcement;
“New 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 this announcement;
“New Lease Annual Caps”	the maximum annual consideration to be paid or received for leasing the use of office spaces and properties under the New Lease Agreement for each of the three financial years ending 31 December 2012, 2013 and 2014, details of which are set out in this announcement;

“New Purchase Agreement”	the agreement dated 25 October 2012 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 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 Purchase Agreement for each of the three financial years ending 31 December 2012, 2013 and 2014, 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 RMB1 = HK\$1.226 has been adopted for translating RMB into HK\$ in this announcement.

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

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

25 October 2012

As at the date of this announcement, the board of directors of Lee & Man Paper Manufacturing Limited comprises four executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond, Mr Lee Man Bun and Mr Kunihiko Kashima, 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 and Mr Heng Victor Ja Wei.