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理 文 造 紙 有 限 公 司\*  
**Lee & Man Paper Manufacturing Limited**  
*(Incorporated in the Cayman Islands and its members' liability is limited)*  
(Stock Code: 2314)



理 文 化 工 有 限 公 司  
**LEE & MAN CHEMICAL COMPANY LIMITED**  
*(Incorporated in the Cayman Islands and its members' liability is limited)*  
(Stock Code: 746)

## **JOINT ANNOUNCEMENT**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **2021 Jiangsu Steam and Electricity Agreement**

On 31 December 2020, the 2021 Jiangsu Steam and Electricity Agreement was entered into between Jiangsu Paper and Jiangsu Chemical in connection with the supply of steam and electricity by Jiangsu Paper to Jiangsu Chemical. The 2021 Jiangsu Steam and Electricity Agreement has a term of three years commencing from 1 January 2021 up to and including 31 December 2023.

#### **2021 Jiangxi Steam and Electricity Agreement**

On 31 December 2020, the 2021 Jiangxi Steam and Electricity Agreement was entered into between Jiangxi Chemical and LMP in connection with the supply of steam and electricity by Jiangxi Chemical to the LMP Group. The 2021 Jiangxi Steam and Electricity Agreement has a term of three years commencing from 1 January 2021 up to and including 31 December 2023.

#### **2021 Chemicals Purchase Agreement**

On 31 December 2020, the 2021 Chemicals Purchase Agreement was entered into between LMP and LMC pursuant to which the LMC Group would supply various industrial chemical products to the LMP Group. The 2021 Chemicals Purchase Agreement has a term of three years commencing from 1 January 2021 up to and including 31 December 2023.

\* For identification purposes only

## **LISTING RULES IMPLICATIONS**

Jiangsu Chemical and Jiangxi Chemical are both indirect wholly-owned subsidiaries of LMC and Jiangsu Paper is an indirect wholly-owned subsidiary of LMP.

Accordingly, the transactions contemplated under the 2021 Continuing Connected Transaction Agreements constitute continuing connected transactions for LMP and LMC under Chapter 14A of the Listing Rules.

### **LMP**

In respect of LMP, the relevant percentage ratios under the Listing Rules for each of the 2021 Jiangsu Steam and Electricity Annual Caps, 2021 Jiangxi Steam and Electricity Annual Caps and the 2021 Chemicals Purchase Annual Caps are more than 0.1% but less than 5%, respectively. Accordingly, the 2021 Jiangsu Steam and Electricity Agreement, 2021 Jiangxi Steam and Electricity Agreement, 2021 Chemicals Purchase Agreement and the respective annual caps thereunder will be subject to the reporting, announcement and annual review 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 each of the 2021 Jiangsu Steam and Electricity Annual Caps and 2021 Jiangxi Steam and Electricity Annual Caps are more than 0.1% but less than 5%, respectively. Accordingly, the 2021 Jiangsu Steam and Electricity Agreement and 2021 Jiangxi Steam and Electricity Agreement and their respective annual caps will be subject to the reporting, announcement and annual review requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The relevant percentage ratios under the Listing Rules for the 2021 Chemicals Purchase Annual Caps are more than 5% and more than HK\$10 million. Accordingly, the 2021 Chemicals Purchase Agreement and its annual caps will be subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent board committee of LMC, comprising Mr. Wan Chi Keung Aaron and Mr. Heng Victor Ja Wei, has been established by LMC to provide recommendation to the independent shareholders of LMC in respect of the 2021 Chemicals Purchase Agreement. As Mr. Wong Kai Tung Tony is an independent non-executive Director of both LMP and LMC, he has been excluded from the independent board committee of LMC to avoid any potential conflict of material interest that may arise.

TUS Corporate Finance 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 transaction contemplated under the 2021 Chemicals Purchase Agreement.

Details in connection with the 2021 Chemicals Purchase Agreement (including the 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. 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 31 January 2021.

## **THE BACKGROUND**

On 28 March 2018, the 2018 Jiangsu Steam and Electricity Agreement, the 2018 Jiangxi Steam and Electricity Agreement, and the 2018 Chemicals Purchase Agreement were entered into between members of the LMP Group and the LMC Group. Further details are set out in the joint announcement of LMP and LMC dated 28 March 2018.

As the above agreements will expire after 31 December 2020, the relevant parties have entered into the 2021 Continuing Connected Transaction Agreements to renew the aforementioned agreements.

The 2021 Continuing Connected Transaction Agreements, which the Directors of LMP and LMC consider to be distinctly separate and different in nature with one another given the nature of these transactions, will constitute continuing connected transactions for LMP and LMC under Chapter 14A of the Listing Rules and further details of these agreements are set out below.

## THE 2021 CONTINUING CONNECTED TRANSACTION AGREEMENTS

### 1. 2021 Jiangsu Steam and Electricity Agreement

Date:	31 December 2020
Parties:	(i) Jiangsu Paper (as supplier)  (ii) Jiangsu Chemical (as purchaser)
Nature of Transaction:	<p>Jiangsu Paper will generate and supply steam and electricity to Jiangsu Chemical.</p> <p>The electricity to be generated and supplied 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.</p> <p>The steam to be generated and supplied shall be charged at RMB25.641 (excluding VAT) per ton measured by Jiangsu Paper's meter. 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.</p> <p>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.</p>
Term of Agreement:	3 years commencing from 1 January 2021 up to and including 31 December 2023.

Payment: Steam and electricity service fees will be paid in cash by Jiangsu Chemical (using its internal financial 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 2021 Jiangsu Steam and Electricity Annual Caps.

Pricing Policy: The steam and electricity service fees are 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 2021 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 by the management of LMC and LMP against, among others, those available from government authorities in the Jiangsu province to determine the reasonableness and competitiveness of such pricing.

## **2. 2021 Jiangxi Steam and Electricity Agreement**

Date: 31 December 2020

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

Nature of Transaction: Jiangxi Chemical will generate and supply steam and electricity to LMP (or any other member of the LMP Group).

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

The steam to be generated and supplied shall be charged at RMB25.641 (excluding VAT) per ton measured by Jiangxi Chemical's meter. The coal for generating the steam shall be supplied by the LMP Group to Jiangxi Chemical in advance. The quantity of coal to be supplied by the LMP Group would depend on the monthly actual consumption of the LMP Group.

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

Term of Agreement: 3 years commencing from 1 January 2021 up to and including 31 December 2023.

Payment: Steam and electricity service fees will be paid in cash by the LMP Group (using its internal financial resources) within 14 days after the end of each month based on actual consumption amount of steam and electricity but subject to the limits of the 2021 Jiangxi Steam and Electricity Annual Caps.

Pricing Policy: The steam and electricity service fees are 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 2021 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 by the management of LMC and LMP against, among others, those available from government authorities in the Jiangxi province to determine the reasonableness and competitiveness of such pricing.

### 3. 2021 Chemicals Purchase Agreement

Date:	31 December 2020
Parties:	(i) LMP (as purchaser)  (ii) LMC (as supplier)
Nature of Transaction:	<p>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.</p> <p>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.</p> <p>There is no minimum amount of industrial chemical products required to be purchased by the LMP Group.</p>
Term of Agreement:	3 years commencing from 1 January 2021 up to and including 31 December 2023.
Payment:	<p>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.</p> <p>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.</p>

Pricing Policy:

The price and terms of payment under the 2021 Chemicals Purchase Agreement will be determined with 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.

In determining such prices and terms of sales to LMP Group, LMC Group would in its ordinary course go through its internal procedures in order to determine the final selling price to ensure that it is fair and reasonable, on normal commercial terms and, to the extent these are connected transactions, comparable to those offered to independent third party customers.

In the usual course, LMP Group would contact the sales team of LMC Group for the purchase of chemical products. This would involve a discussion on the type and quantity of the chemical products needed, the delivery time and location and LMP Group's indicative purchase price.



The sales team of LMC Group would then pass on a pricing request to the marketing team of LMC Group. The marketing team of the LMC Group would check against their latest pricing information gathered from the discussions with LMC Group's other (at least two) independent third party customers, which is regularly done on a monthly basis as well as check against with a number of relevant websites which publish information on pricing (which appear to be updated on a monthly basis). The marketing team would also engage their independent third party customers on a monthly basis to understand their operational levels and production needs from time to time, which in turn may affect the amounts and types of chemicals needed from LMC Group and therefore the related prices.

Upon gathering the above market data, the marketing team will then present such data to the sales department whilst the finance department will be informed to then make enquiries and check the inventory level of such requested chemical type to ascertain the inventory level of such chemicals LMC Group has at the time and relevant costs of production. It will also check with LMC Group's logistics department to ascertain an estimation of delivery and related transportation costs based on the proposed delivery location and details on chemicals to be delivered.

The above findings would be consolidated and reported to LMC's head of sales who would then decide on a price range for sales team to go back to LMP Group in order to agree and finalise the sale price with LMP Group, ensuring such sales will generate reasonable profits and on normal commercial terms for LMC.

Considering the pricing policies as outlined above and that the respective transactions contemplated under the 2021 Continuing Connected Transaction Agreements will be subject to annual review by the independent non-executive Directors and the auditors of LMP and LMC, respectively, the Directors (including the independent non-executive Directors and, in respect of the 2021 Chemicals Purchase Agreement only, excluding the independent non-executive Directors on the independent board committee whose views will be given after considering the advice from the independent financial adviser) of each of LMP and LMC believe that the pricing policy (including the pricing determination procedures) outlined above are sufficient to ensure that the respective transactions contemplated under the 2021 Continuing Connected Transaction Agreements 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 independent shareholders.

## HISTORICAL AMOUNTS AND ANNUAL CAPS

The aggregate transaction amounts actually incurred for the services or products provided under the 2018 Jiangsu Steam and Electricity Agreement, the 2018 Jiangxi Steam and Electricity Agreement, and the 2018 Chemicals Purchase Agreement as compared against the related annual caps for the relevant periods are set out below:–

Transaction type	Amount		
	Year ended 31 December 2018	Year ended 31 December 2019	Year ending 31 December 2020
<b>2018 Jiangsu Steam and Electricity Agreement</b>			
	Actual amount incurred		
<b>Services to generate steam and electricity by Jiangsu Paper to Jiangsu Chemical</b>	RMB63 million (approximately HK\$75 million)	RMB63 million (approximately HK\$75 million)	RMB59 million (approximately HK\$70 million) <i>(Note 1)</i>
	Annual cap		
	RMB80 million (approximately HK\$95 million)	RMB80 million (approximately HK\$95 million)	RMB80 million (approximately HK\$95 million)
<b>2018 Jiangxi Steam and Electricity Agreement</b>			
	Actual amount incurred		
<b>Services to generate steam and electricity by Jiangxi Chemical to LMP Group</b>	RMB61 million (approximately HK\$73 million)	RMB63 million (approximately HK\$75 million)	RMB62 million (approximately HK\$74 million) <i>(Note 1)</i>
	Annual cap		
	RMB90 million (approximately HK\$107 million)	RMB90 million (approximately HK\$107 million)	RMB90 million (approximately HK\$107 million)

Transaction type	Amount		
	Year ended 31 December 2018	Year ended 31 December 2019	Year ending 31 December 2020

### 2018 Chemicals Purchase Agreement

Actual amount incurred

<b>Purchase of various industrial chemical products from LMC Group by LMP Group</b>	RMB91 million (approximately HK\$108 million)	RMB81 million (approximately HK\$96 million)	RMB102 million (approximately HK\$121 million) <i>(Note 1)</i>
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Annual cap

	RMB110 million (approximately HK\$131 million)	RMB110 million (approximately HK\$131 million)	RMB120 million (approximately HK\$143 million) <i>(Note 2)</i>
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Notes:

- (1) The actual amount incurred for the eleven months ended 30 November 2020.
- (2) This is the revised annual cap pursuant to the supplemental agreement entered into between LMP and LMC on 4 December 2020 to amend the annual cap for the 2018 Chemicals Purchase Agreement. Further details are set out in the joint announcement of LMP and LMC dated 4 December 2020.

### 2021 ANNUAL CAPS

The proposed 2021 Jiangsu Steam and Electricity Annual Caps, 2021 Jiangxi Steam and Electricity Annual Caps, and 2021 Chemicals Purchase Annual Caps for each of the three years commencing from 1 January 2021 up to and including 31 December 2023 are as follows:

Type of Transaction	Amount		
	Year ending 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
<b>2021 Jiangsu Steam and Electricity Annual Caps</b>	RMB80 million (approximately HK\$95 million)	RMB80 million (approximately HK\$95 million)	RMB80 million (approximately HK\$95 million)
<b>2021 Jiangxi Steam and Electricity Annual Caps</b>	RMB100 million (approximately HK\$119 million)	RMB105 million (approximately HK\$125 million)	RMB110 million (approximately HK\$131 million)
<b>2021 Chemicals Purchase Annual Caps</b>	RMB175 million (approximately HK\$208 million)	RMB175 million (approximately HK\$208 million)	RMB175 million (approximately HK\$208 million)

The annual caps stated above are exclusive of VAT.

## **2021 Jiangsu Steam and Electricity Annual Caps**

The 2021 Jiangsu Steam and Electricity Annual Caps have been determined with reference to (i) the amount of historical transactions between Jiangsu Paper and Jiangsu Chemical as set out above; (ii) Jiangsu Paper's own anticipated consumption requirements; (iii) the spare steam and electricity capacity of Jiangsu Paper available for Jiangsu Chemical's requirements; (iv) the production plans and the related actual/estimated requirements for steam and electricity of Jiangsu Chemical and Jiangsu Paper for the period from 1 January 2021 up to and including 31 December 2023; and (v) the estimated unit price of steam and electricity services to be provided (including the operational costs for running the power station for steam and electricity).

In determining the 2021 Jiangsu Steam and Electricity Annual Caps, the parties have also taken into account the expected increase in the production volume and utilisation rate of the production facilities of Jiangsu Chemical, which are expected to increase the demand for steam and electricity.

## **2021 Jiangxi Steam and Electricity Annual Caps**

The 2021 Jiangxi Steam and Electricity Annual Caps have been determined with reference to (i) the amount of historical transactions between LMP and Jiangxi Chemical as set out above; (ii) Jiangxi Chemical's own anticipated consumption requirements; (iii) the spare steam and electricity capacity of Jiangxi Chemical available for the LMP Group's requirements; (iv) the production plans and the related actual/estimated steam and electricity requirements of the LMP Group and Jiangxi Chemical for the period from 1 January 2021 up to and including 31 December 2023; and (v) the estimated unit price of steam and electricity services to be provided (including the operational costs for running the power station of steam and electricity).

In determining the 2021 Jiangxi Steam and Electricity Annual Caps, the parties have also taken into account the LMP Group's demand for steam and electricity to increase compared with previous years because of the expected increase in the production volume and utilisation rate of its production facilities.

## **2021 Chemicals Purchase Annual Caps**

The 2021 Chemicals Purchase Annual Caps have been determined with reference to (i) the value of historical sales between members of the LMC Group and the LMP Group, (ii) LMP's anticipated consumption requirements, (iii) the production capacity and estimated quantity of industrial chemical products to be manufactured by the LMC Group and (iv) the anticipated market price fluctuations for the period from 1 January 2021 up to and including 31 December 2023.

In determining the respective proposed new annual caps under each of the 2021 Continuing Connected Transaction Agreements, the parties have also taken into account the assumption that during the respective terms of the 2021 Continuing Connected Transaction Agreements, 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.

## **REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS**

### **2021 Jiangsu Steam and Electricity Agreement and 2021 Jiangxi Steam and Electricity Agreement**

Each of the 2021 Jiangsu Steam and Electricity Agreement and the 2021 Jiangxi Steam and Electricity Agreement was 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 stations to supply the required electricity and steam for their production plants located in both Jiangsu and Jiangxi.

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

The proximity of the power 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 to supplies from the power 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. The 2021 Jiangsu Steam and Electricity Agreement and 2021 Jiangxi Steam and Electricity Agreement will therefore minimise the risk of production interruption by providing 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 stations as the supply of steam and electricity under the 2021 Jiangsu Steam and Electricity Agreement and 2021 Jiangxi Steam and Electricity Agreement represents surplus steam and electricity generated and produced at the respective power stations. The overall operation efficiency of each of their power 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 station with the increased production volume.

## **2021 Chemicals Purchase Agreement**

The 2021 Chemicals Purchase Agreement will secure a long-term and steady supply of industrial chemical products to ensure fulfilment of the production needs of LMP Group. The sale of industrial chemical products provides a long-term and steady income flow for the LMC Group and creates synergy between both groups.

The close proximity of both LMP's 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 and, in respect of the 2021 Chemicals Purchase Agreement only, excluding the independent non-executive Directors on the independent board committee whose views will be given after considering the advice from the independent financial adviser) of each of LMP and LMC are of the view that the 2021 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 and, in respect of the 2021 Chemicals Purchase Agreement only, excluding the independent non-executive Directors on the independent board committee whose views will be given after considering the advice from the independent financial adviser) are also of the view that the terms of the 2021 Continuing Connected Transaction Agreements are fair and reasonable, on normal commercial terms and are in the interests of each of LMP, LMC and their respective shareholders as a whole.

## **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. The principal business of Jiangsu Paper is the manufacturing and trading of paper with production facilities in Jiangsu.

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 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 and Jiangsu Paper is an indirect wholly-owned subsidiary of LMP.

Mr. Lee Man Yan, the ultimate controlling shareholder of LMC holding 65% issued shares of LMC as at the date of this announcement, is an associate of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, the executive directors of LMP.

Dr. Lee Man Chun Raymond and Mr. Lee Man Bun each holds 31.27% issued shares of LMP as at the date of this announcement.

Therefore, Jiangsu Chemical, Jiangxi Chemical and LMC are connected persons of LMP under the Listing Rules, whilst Jiangsu Paper and LMP are connected persons of LMC under Chapter 14A of the Listing Rules.

Accordingly, the transaction contemplated under the 2021 Continuing Connected Transaction Agreements constitute continuing connected transactions for both LMP and LMC under Chapter 14A of 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 are associates of Mr. Lee Man Yan) 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 the 2021 Continuing Connected Transaction Agreements. Ms. Wai Siu Kee and Mr. Lee Man Yan (who are Directors of LMC and are associates of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun), 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 2021 Continuing Connected Transaction Agreements.

Save as aforesaid, no other director of LMP or LMC has any material interest in the 2021 Continuing Connected Transaction Agreements 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 brother-in-law of Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Mr. Lee Man Yan, had voluntarily abstained from voting on the board resolutions of LMP in relation to the 2021 Continuing Connected Transaction Agreements to avoid the perception of conflict of interest.

## **LISTING RULES IMPLICATIONS**

### **LMP**

In respect of LMP, the relevant percentage ratios under the Listing Rules for each of the 2021 Jiangsu Steam and Electricity Annual Caps, 2021 Jiangxi Steam and Electricity Annual Caps and the 2021 Chemicals Purchase Annual Caps are more than 0.1% but less than 5%, respectively. Accordingly, the 2021 Jiangsu Steam and Electricity Agreement, 2021 Jiangxi Steam and Electricity Agreement, 2021 Chemicals Purchase Agreement and the respective annual caps thereunder will be subject to the reporting, announcement and annual review 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 each of the 2021 Jiangsu Steam and Electricity Annual Caps and 2021 Jiangxi Steam and Electricity Annual Caps are more than 0.1% but less than 5%, respectively. Accordingly, the 2021 Jiangsu Steam and Electricity Agreement and 2021 Jiangxi Steam and Electricity Agreement and their respective annual caps will be subject to the reporting, announcement and annual review requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.



The relevant percentage ratios under the Listing Rules for the 2021 Chemicals Purchase Annual Caps are more than 5% and more than HK\$10 million. Accordingly, the 2021 Chemicals Purchase Agreement and its annual caps will be subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent board committee of LMC, comprising Mr. Wan Chi Keung Aaron and Mr. Heng Victor Ja Wei, has been established by LMC to provide recommendation to the independent shareholders of LMC in respect of the 2021 Chemicals Purchase Agreement. As Mr. Wong Kai Tung Tony is an independent non-executive Director of both LMP and LMC, he has been excluded from the independent board committee of LMC to avoid any potential conflict of material interest that may arise.

TUS Corporate Finance 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 transaction contemplated under the 2021 Chemicals Purchase Agreement.

Details in connection with the 2021 Chemicals Purchase Agreement (including the annual cap), 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. 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 31 January 2021.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“2018 Chemicals Purchase Agreement”	the agreement dated 28 March 2018 (and as amended by the supplemental agreement dated 4 December 2020) 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 the joint announcements of LMP and LMC dated 28 March 2018 and 4 December 2020;
“2018 Jiangsu Steam and Electricity Agreement”	the agreement dated 28 March 2018 entered into 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 28 March 2018;



“2018 Jiangxi Steam and Electricity Agreement”	the agreement dated 28 March 2018 between Jiangxi Chemical and LMP in relation to the supply of steam and electricity by Jiangxi Chemical to the LMP Group, details of which are set out in the joint announcement of LMP and LMC dated 28 March 2018;
“2021 Chemicals Purchase Agreement”	the agreement dated 31 December 2020 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;
“2021 Chemicals Purchase Annual Caps”	the maximum annual consideration to be paid or received for the supply of various industrial chemical products by the LMC Group to the LMP Group under the 2021 Chemicals Purchase Agreement for each of the three financial years ending 31 December 2021, 2022 and 2023, details of which are set out in this announcement;
“2021 Continuing Connected Transaction Agreements”	the 2021 Jiangsu Steam and Electricity Agreement, 2021 Jiangxi Steam and Electricity Agreement and 2021 Chemicals Purchase Agreement collectively;
“2021 Jiangsu Steam and Electricity Agreement”	the agreement dated 31 December 2020 entered into 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;
“2021 Jiangsu Steam and Electricity Annual Caps”	the maximum annual consideration to be paid or received for the supply of electricity and steam by Jiangsu Paper to Jiangsu Chemical under the 2021 Jiangsu Steam and Electricity Agreement for each of the three financial years ending 31 December 2021, 2022 and 2023, details of which are set out in this announcement;
“2021 Jiangxi Steam and Electricity Agreement”	the agreement dated 31 December 2020 entered into between Jiangxi Chemical and LMP in relation to the supply of steam and electricity by Jiangxi Chemical to the LMP Group, details of which are set out in this announcement;

“2021 Jiangxi Steam and Electricity Annual Caps”	the maximum annual consideration to be paid or received for the supply of electricity and steam by Jiangxi Chemical to the LMP Group under the 2021 Jiangxi Steam and Electricity Agreement for each of the three financial years ending 31 December 2021, 2022 and 2023, details of which are set out in this announcement;
“associate”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of either LMP or LMC (as the case may be);
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited 江蘇理文化工有限公司, a wholly-owned foreign investment enterprise established in the PRC and an indirect wholly-owned subsidiary of LMC;
“Jiangsu Paper”	Jiangsu Lee & Man Paper Manufacturing Company Limited 江蘇理文造紙有限公司, a foreign investment enterprise established in the PRC and an indirect wholly-owned subsidiary of LMP;
“Jiangxi Chemical”	Jiangxi Lee & Man Chemical Limited 江西理文化工有限公司, a wholly-owned foreign investment enterprise established in the PRC and an indirect wholly-owned subsidiary of LMC;
“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, 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;
“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\$1.19 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*

Hong Kong, 31 December 2020

*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.*