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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

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION

Reference is made to the joint announcement of LMP and LMC dated 28 March 2018 in relation to, among other things, the 2018 Chemicals Purchase Agreement entered into between LMC (as supplier) and LMP (as purchaser).

On 4 December 2020, LMP and LMC entered into the Supplemental Agreement to amend the Existing 2020 Annual Cap to the Revised 2020 Annual Cap for the 2018 Chemicals Purchase Agreement. Save for this revision, the principal terms under the 2018 Chemicals Purchase Agreement remain the same.

LISTING RULES IMPLICATIONS

The 2018 Chemicals Purchase Agreement (as amended by the Supplemental Agreement) constitute continuing connected transactions for LMP and LMC.

LMP

In respect of LMP, as the relevant percentage ratios under the Listing Rules in respect of the Revised 2020 Annual Cap are more than 0.1% but less than 5%, the 2018 Chemicals Purchase Agreement (as amended by the Supplemental Agreement) and the Revised 2020 Annual Cap 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.

* For identification purposes only

LMC

In respect of LMC, as the relevant percentage ratios under the Listing Rules in respect of the Revised 2020 Annual Cap are more than 0.1% but less than 5%, the 2018 Chemicals Purchase Agreement (as amended by the Supplemental Agreement) and the Revised 2020 Annual Cap 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.

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION

Reference is made to the joint announcement of LMP and LMC dated 28 March 2018 in relation to, among other things, the 2018 Chemicals Purchase Agreement entered into between LMC (as supplier) and LMP (as purchaser).

On 4 December 2020, LMP and LMC entered into the Supplemental Agreement to amend the Existing 2020 Annual Cap to the Revised 2020 Annual Cap for the 2018 Chemicals Purchase Agreement.

Under the Supplemental Agreement, the annual cap is proposed to be revised as follows:

	For the year ending 31 December 2020
Existing 2020 Annual Cap	RMB110 million (approximately HK\$122.8 million)
Revised 2020 Annual Cap	RMB120 million (approximately HK\$133.9 million)

Save for the revision of the Existing 2020 Annual Cap to the Revised 2020 Annual Cap, the principal terms under the 2018 Chemicals Purchase Agreement remain the same.

REASONS AND BENEFITS FOR REVISING THE EXISTING 2020 ANNUAL CAP AND THE BASIS FOR DETERMINING THE REVISED 2020 ANNUAL CAP

Set out in the table below are the actual transaction amounts for the two years ended 31 December 2018 and 2019 and the ten months ended 31 October 2020.

Transaction type	Amount		
	Year ended 31 December 2018	Year ended 31 December 2019	Ten months ended 31 October 2020

2018 Chemicals Purchase Agreement

Actual amount incurred

Purchase of various industrial chemical products from LMC Group by LMP Group	RMB91 million (approximately HK\$101.6 million)	RMB81 million (approximately HK\$90.4 million)	RMB101 million (approximately HK\$112.7 million)
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Existing annual caps

	RMB110 million (approximately HK\$122.8 million)	RMB110 million (approximately HK\$122.8 million)	RMB110 million (approximately HK\$122.8 million) (for the year ending 31 December 2020)
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It is expected that the demand for industrial chemical products for the production needs of the LMP Group would increase towards the end of 2020, resulting in the need to increase the Existing 2020 Annual Cap. It is critical for the LMP Group to continue to be able to secure a steady supply of quality industrial chemical products at a reasonable and cost effective price (given the proximity of LMP's and LMC's respective production facilities) in order to fulfil its production needs. The increased sale of industrial chemical products also allows the LMC Group to generate additional revenue for the year of 2020.

The Revised 2020 Annual Cap is determined with reference to the estimated amount of purchases by the LMP Group under the 2018 Chemicals Purchase Agreement in November and the expected amount for December 2020.

As at the date of this announcement, the Existing 2020 Annual Cap under the 2018 Chemicals Purchase Agreement has not been exceeded.

The Directors (including the independent non-executive Directors) of each of LMP and LMC are of the view that the Supplemental Agreement is in the ordinary and usual course of each of LMP's and LMC's businesses respectively. The Directors (including the independent non-executive Directors) are also of the view that the terms of the Supplemental Agreement 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. LMC and its subsidiaries are principally engaged in the manufacture and sale of chemical products.

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.

Accordingly, LMP and LMC are connected persons of each other under the Listing Rules and the transactions under the 2018 Chemicals Purchase Agreement (as amended by the Supplemental Agreement) constitute a continuing connected transaction for each of 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 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 Supplemental Agreement. 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 Supplemental Agreement.

Save as aforesaid, no other director of LMP or LMC has any material interest in the Supplemental 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 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 Supplemental Agreement to avoid the perception of conflict of interest.

LISTING RULES IMPLICATIONS

LMP

In respect of LMP, as the relevant percentage ratios under the Listing Rules in respect of the Revised 2020 Annual Cap are more than 0.1% but less than 5%, the 2018 Chemicals Purchase Agreement (as amended by the Supplemental Agreement) and the Revised 2020 Annual Cap 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, as the relevant percentage ratios under the Listing Rules in respect of the Revised 2020 Annual Cap are more than 0.1% but less than 5%, the 2018 Chemicals Purchase Agreement (as amended by the Supplemental Agreement) and the Revised 2020 Annual Cap 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.

DEFINITIONS

The following defined terms are used in this announcement:

“2018 Chemicals Purchase Agreement”	the agreement dated 28 March 2018 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 announcement of LMP and LMC dated 28 March 2018;
“associate”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of either LMP or LMC (as the case may be);
“Existing 2020 Annual Cap”	the existing annual cap for the year ending 31 December 2020 in relation to the 2018 Chemicals Purchase Agreement, being RMB110 million (approximately HK\$122.8 million);
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“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;
“Revised 2020 Annual Cap”	the revised annual cap for the year ending 31 December 2020 in relation to the 2018 Chemicals Purchase Agreement, being RMB120 million (approximately HK\$133.9 million);
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 4 December 2020 entered into between LMP and LMC to amend the Existing 2020 Annual Cap to the Revised 2020 Annual Cap; and
“%”	per cent.

For illustration purposes only, the exchange rate of RMB1 = HK\$1.116 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

4 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 BBS JP and Mr. Heng Victor Ja Wei.