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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)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
(1) BUYING AGENT AGREEMENT AND
(2) PULP PURCHASE AGREEMENT**

BUYING AGENT AGREEMENT

On 17 November 2021, the Buying Agents and Lee Kwok Trading entered into the Buying Agent Agreement pursuant to which Lee Kwok Trading appointed the Buying Agents to act as its buying agents for sourcing recovered paper in the United States, the United Kingdom and continental Europe. The Buying Agent Agreement has a term of three years commencing from 1 January 2022 up to and including 31 December 2024.

PULP PURCHASE AGREEMENT

On 17 November 2021, Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement pursuant to which Vantage Dragon has conditionally agreed to buy (and any member of the Group may buy), and the Vendors have conditionally agreed (or to procure other members of the Vendors' Group, respectively) to sell the Products to the Group based on individual orders to be placed by the Group from time to time. The Pulp Purchase Agreement has a term of three years commencing from 1 January 2022 up to and including 31 December 2024.

LISTING RULE IMPLICATIONS

The Buying Agents and the Vendors are connected persons of the Company under the Listing Rules and the transactions under the Buying Agent Agreement and the Pulp Purchase Agreement respectively constitute continuing connected transactions of the Company under the Listing Rules.

* For identification purposes only

The relevant percentage ratios under the Listing Rules in respect of the Buying Agent Annual Caps and the Pulp Purchase Annual Caps are, on an annual basis, more than 5%. Accordingly, the Buying Agent Agreement and the Pulp Purchase Agreement and the respective annual caps will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, (i) further information in relation to the transactions contemplated under the Buying Agent Agreement and the Pulp Purchase Agreement; (ii) the opinions and recommendations of the Independent Board Committee and Somerley; and (iii) the notice of the EGM, will be despatched to the Shareholders no later than 26 November 2021.

BUYING AGENT AGREEMENT

On 8 November 2018, the Buying Agents and Lee Kwok Trading entered into the 2018 Buying Agent Agreement, pursuant to which Lee Kwok Trading appointed the Buying Agents to act as its buying agents for sourcing recovered paper in the United States, the United Kingdom and continental Europe. The Buying Agent Agreement was entered into on 17 November 2021 to ensure the continued supply of recovered paper upon the expiry of the 2018 Buying Agent Agreement on 31 December 2021.

Further details of the 2018 Buying Agent Agreement are set out in the announcement of the Company dated 8 November 2018 and the circular of the Company dated 15 November 2018.

The principal terms of the Buying Agent Agreement are set out as follows:

Date: 17 November 2021

Parties: (1) Buying Agents; and
(2) Lee Kwok Trading.

Nature of Transaction: Lee Kwok Trading appointed the Buying Agents to act as its buying agents for sourcing recovered paper in the United States, the United Kingdom and continental Europe.

During the term of the Buying Agent Agreement, Lee Kwok Trading may appoint other buying agents for the purchase of recovered paper. The Buying Agents may also act as buying agents for any party other than Lee Kwok Trading.

Services provided by the
Buying Agents:

The services of the Buying Agents to be provided to Lee Kwok Trading include, among others, the following:

- (i) to provide market information in relation to recovered paper;
- (ii) to obtain cost quotes on a daily basis from suppliers of recovered paper;
- (iii) to take orders for the purchase of recovered paper and negotiate and conclude the orders with the suppliers in strict conformity with the instructions of Lee Kwok Trading and terms agreed by Lee Kwok Trading;
- (iv) to obtain written approval from Lee Kwok Trading before placing or concluding an order for the purchase of recovered paper with the suppliers;
- (v) to co-ordinate the logistics involved in transporting or delivering recovered paper (including but not limited to organising country-wide inland trucking of recovered paper, storage of products in warehouse prior to trucking out if necessary, clearance of customs, carrying out on-site inspections of recovered paper, putting the recovered paper into suitable containers so that they are ready for shipment, securing containers from suitable sources and ensuring the containers are loaded on the ships for delivery);
- (vi) to respond to enquiries from Lee Kwok Trading in relation to the purchase of recovered paper;
- (vii) to perform regular site visits and organize quality inspection and specification checks at the direction of Lee Kwok Trading;
- (viii) to allow Lee Kwok Trading to have access to the books and records of the Buying Agents for the purposes of tracking payments to and receipt by the suppliers of payments routed through the Buying Agents; and
- (ix) to provide Lee Kwok Trading with information about the delivery of recovered paper.

Term of Agreement: Three years commencing from 1 January 2022 up to and including 31 December 2024.

Pricing: The total price payable by Lee Kwok Trading for each order of recovered paper will be the aggregate of (i) the purchase price of recovered paper on cost and freight basis (including re-baling cost, transloading cost, local trucking freight costs, warehouse costs and shipping costs but excluding insurance costs), (ii) agent fee and (iii) the relevant fees for obtaining regulatory certifications.

The agent fee to be charged by Winfibre UK and Winfibre US shall be no more than US\$5.5 per metric ton of recovered paper purchased and the agent fee by Winfibre BV shall be no more than US\$6.9 per metric ton of recovered paper purchased. Such agent fee may be adjusted from time to time during the term of the Buying Agent Agreement provided that the agent fee rate for 2022 shall not exceed the above rates while from 2023 onwards any increment shall not exceed 10% of the highest agent fee rate actually charged in the previous year.

The agent fee rates shall be determined and agreed by the parties based on arms' length negotiation and taking into account, among other things, the operating costs expected to be incurred by the Buying Agents in providing the recovered paper sourcing services at the relevant time.

Payment: Lee Kwok Trading is to settle payments by way of letter of credit of 120 days.

Condition precedent: The Buying Agent Agreement is conditional upon the approval of the Independent Shareholders in accordance with the Listing Rules.

The terms of the Buying Agent Agreement were concluded after arm's length negotiations and were based on normal commercial terms and in the Group's ordinary and usual course of business.

Buying Agent Annual Caps

The Buying Agent Annual Caps for each of the three financial years ending 31 December 2022, 2023 and 2024 are as follows:

Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
US\$914 million (approximately HK\$7,129 million)	US\$1,137 million (approximately HK\$8,869 million)	US\$1,137 million (approximately HK\$8,869 million)

The Buying Agent Annual Caps have been determined by reference to:

- (i) the amount of historical transaction amounts under the 2018 Buying Agent Agreement, being approximately US\$209 million (approximately HK\$1,632 million), US\$246 million (approximately HK\$1,922 million) and US\$212 million (approximately HK\$1,650 million) for the years ended 31 December 2019 and 2020, and the nine months up to 30 September 2021, respectively;
- (ii) the estimated demand (in terms of metric tons) for recovered paper by the Group. The Group purchased approximately 1.41 million metric tons, 1.62 million metric tons and 0.90 million metric tons of recovered paper through the buying agents for the years ended 31 December 2019, 2020 and the nine months up to 30 September 2021, respectively. The estimated amount of recovered paper to be purchased by the Group through the Buying Agents is expected to be approximately 2.26 million, 2.94 million and 2.94 million metric tons for the years ending 31 December 2022, 2023 and 2024, respectively. The relatively significant increase in estimated demand for recovered paper compared to historical numbers is due to the Company's expectation in the recovery in market conditions following the COVID-19 pandemic, its optimism of market growth going forward where the economic environment resumes normality generally and the Company's plan to expand its paper-making business through pulp making and waste paper recycling in Southeast Asian countries;
- (iii) the estimated price volatility of recovered paper. In 2021, the average prices of recovered paper sourced by the Group from the United States and the United Kingdom increased between approximately 39.13% and 36.90%, as compared to the average prices for 2018;
- (iv) the estimated rapid increase in transportation costs as a result of the COVID-19 pandemic. As international shipping has been restricted due to COVID-19 pandemic, the transportation costs have skyrocketed since January 2021. In 2021, the transportation costs of recovered paper sourced by the Group has increased by approximately 70.78%; and
- (v) a buffer of approximately 5% on the estimated demand for the recovered paper required by the Group.

In determining the proposed annual caps under the Buying Agent Agreement, the parties have also taken into account the assumption that during the term of the Buying Agent Agreement, save as disclosed above, 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 Group or the Buying Agents.

PULP PURCHASE AGREEMENT

On 30 May 2019, Vantage Dragon, Best Eternity, Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai entered into the Master Agreement pursuant to which the Group may buy, and the Previous Vendors' Group may sell, the Products from time to time with a term commencing from 1 July 2019 up to and including 31 December 2021. As the Master Agreement will expire after 31 December 2021, and considering the development of the business of the vendors, Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement on 17 November 2021 to ensure the Group's continued supply of the Products.

Further details of the Master Agreement are set out in the announcement of the Company dated 30 May 2019 and the circular of the Company dated 10 June 2019.

The principal terms of the Pulp Purchase Agreement are set out as follows:

Date: 17 November 2021

Parties: (1) Vendors; and
(2) Vantage Dragon.

Nature of Transaction: Vantage Dragon has conditionally agreed to buy (and any member of the Group may buy), and the Vendors have conditionally agreed (or to procure other members of the Vendors' Group, respectively) to sell the Products to the Group based on individual orders to be placed by the Group from time to time.

During the term of the Pulp Purchase Agreement, the Group may purchase the Products from any other suppliers other than the Vendors' Group.

Services provided by the Vendors: The services of the Vendors to be provided include, among others, the following:

- (i) to provide the Group promptly with the price quotes of the Products upon its request;
- (ii) to respond to enquiries from the Group in relation to the purchase of the Products;

- (iii) to allow the Group to perform regular site visits and organize quality inspection and specification checks at the Vendors' manufacturing plants; and
- (iv) to provide Vantage Dragon with information about the delivery of the Products.

Term of Agreement: From 1 January 2022 to 31 December 2024 (both dates inclusive).

Pricing: The price payable by the Group for each order of the Products will be on cost and freight basis and determined based on normal commercial terms and will be fixed on a case-by-case basis with reference to the price for recovered paper and pulp published by Fastmarkets RISI ("**RISI**") (an independent third party which, according to its website, operates within Euromoney Institutional Investor PLC, providing price reporting and market analysis for pulp and paper, packaging, timber, wood products and nonwovens) (if such price is available on RISI) and prices quoted by the suppliers which are independent third parties. Such pricing information will act as an indication of the purchase cost of the Products. The price payable by the Group shall not be higher than the price offered by the suppliers which are independent third parties to the Group.

Payment: The Group is to settle payments by ways of telegraphic transfer or letter of credit of 30 days.

Condition precedent: The Pulp Purchase Agreement is conditional upon the approval of the Independent Shareholders for the Pulp Purchase Agreement and the transactions contemplated thereunder and the Pulp Purchase Annual Caps in accordance with the Listing Rules.

The terms of the Pulp Purchase Agreement were concluded after arm's length negotiations and were based on normal commercial terms and in the Group's ordinary and usual course of business.

Pulp Purchase Annual Caps

The Pulp Purchase Annual Caps for each of the three financial years ending 31 December 2022, 2023 and 2024 are as follows:

	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
Pulp Purchase Annual Caps	HK\$2,900 million (Note 1)	HK\$3,900 million (Note 2)	HK\$3,900 million (Note 2)

Notes:

- (1) The manufacturing facilities of Best Eternity are located in Myanmar. Determination of the Pulp Purchase Annual Caps took into account the political situation of Myanmar in recent years and therefore the potential difficulty in resuming production pending improvement of the political tension in Myanmar. The Company assumed that production by Best Eternity will gradually resume during 2022.
- (2) Estimation based on the assumption that the Vendors' Group resumes full production capacity starting from the calendar year 2023 after recovery from political tension and/or COVID-19 (as the case may be).

The Pulp Purchase Annual Caps have been determined by reference to:

- (i) the amount of historical transaction amounts under the Master Agreement, being approximately HK\$27 million, HK\$267 million and HK\$443 million for the two financial years ended 31 December 2019 and 2020 and the nine months up to 30 September 2021, respectively;
- (ii) the estimated production capacity of Vendors' Group is approximately 825,000 metric tons per year. Pursuant to the Pulp Purchase Agreement, Vendors' Group has agreed to use its best endeavour to maintain the above production capacity and/or supply of the Products per year;
- (iii) the projected price for the Products, which is determined based on the comparable domestic recovered paper price or the actual purchase price of pulp through the Vendor in the nine months ended 30 September 2021 with an estimated increase of 25%, which is largely in line with the recent price increase; and
- (iv) a buffer of approximately 5% on the estimated demand for the Products required by the Group.

Since recovered pulp is a relatively new source of raw material in the market for paper-making and whilst there is limited information in quantity, the price for recovered pulp is yet to be available in the report published by RISI. However, in view of the increasing demand for the recovered pulp as a result of the changes in recovered paper import policy of the PRC, the Company expects that the price of recovered pulp will be available in RISI report going forward as the market for recovered pulp continues to grow.

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

PRICING POLICY

Before placing a purchase order with the Buying Agents or the Vendors (as the case may be), the Group's procurement department will compare the purchase price payable to the relevant Buying Agent or the Vendor for each purchase against prices for recovered paper or the Products (as the case may be) of comparable specifications quoted by at least two independent third party suppliers. The Group will also take into account prices of recovered paper and pulp published by RISI in order to determine the purchase cost of recovered paper or the Products (as the case may be). Based on this, the Group will prepare price tables on a daily basis setting out the maximum allowable purchase price of recovered paper or the Products (as the case may be) at a particular time. The above price information will be gathered by the Group's procurement department and will be approved by the head of procurement of the Group. The procurement department will place an order with the Buying Agent or the Vendor (as the case maybe) only if the purchase price payable to the relevant Buying Agent or the Vendor (as the case may be) for a specified specification of recovered paper or the Products under the terms of the Buying Agent Agreement or the Pulp Purchase Agreement (as the case may be) is no less favourable than those which are available from independent third party suppliers for relevant delivery dates. If the purchase price payable to the relevant Buying Agent or the Vendor (as the case may be) falls below the relevant maximum allowable price as set out in the price tables, the Group will proceed with such purchase.

INTERNAL CONTROL

The relevant personnel of the business department of the Company will conduct regular checks on a monthly basis to review and assess whether the continuing connected transactions under the Buying Agent Agreement and the Pulp Purchase Agreement are conducted in accordance with the terms of the Buying Agent Agreement and the Pulp Purchase Agreement and will also regularly obtain updates on the market price of recovered paper and the Products for the purpose of considering if the price for a specific transaction is fair and reasonable and in accordance with the pricing policy. Such updates shall be obtained on a daily basis as part of its policy to prescribe the daily purchase price limit of the Group. For recovered paper, the updates would take into account prices for recovered paper of comparable specifications which are (i) published by independent third party suppliers, and (ii) quoted by at least two independent third party suppliers. For the Products, updates would take into account (i) the prices quoted by independent third party suppliers for the Products; and (ii) the production cost for the Products having considered the prevailing market price of the recovered paper and pulp (both onshore and offshore) published by RISI reports.

Both the sales team and the marketing team of the Group will on a monthly basis gather market intelligence by way of research and/or investigation to ascertain the quality of the recovered paper as compared to similar products in the market and to ensure that the quality of the Products purchased from the Vendors is not lower than similar products available on the market.

The Company will conduct semi-annual reviews of the transactions conducted under the Buying Agent Agreement and the Pulp Purchase Agreement (i) to consider effective implementation of the pricing policies and the payment methods; (ii) to identify management weaknesses, and (iii) to recommend improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective. Where any weaknesses are identified, the Company will take measures to address them as soon as practicable.

The Company will conduct semi-annual evaluation of the balances of the Buying Agent Annual Caps and the Pulp Purchase Annual Caps.

The independent non-executive Directors will conduct an annual review of the transactions under the Buying Agent Agreement and the Pulp Purchase Agreement pursuant to Rule 14A.55 of the Listing Rules.

The auditor of the Company will conduct an annual review of the transactions under the Buying Agent Agreement and the Pulp Purchase Agreement pursuant to Rule 14A.56 of the Listing Rules.

Considering the pricing policies and internal control measures outlined above, the Directors believe that the price determination procedures outlined above are sufficient to ensure that the transactions contemplated under the Buying Agent Agreement and the Pulp Purchase Agreement will be conducted on normal commercial terms, are fair and reasonable and not prejudicial to the interests of the Company and its minority shareholders.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE BUYING AGENT AGREEMENT AND PULP PURCHASE AGREEMENT

The Group is principally engaged in the business of large-scale paper manufacturing and specializes in the production of linerboard, corrugating medium and tissue paper. Recovered paper is one of the core raw materials of the Group in its manufacturing activities. In 2018, having balanced the risks associated with establishing its own recovered paper sourcing operations, the Group entered into the 2018 Buying Agent Agreement to engage the Buying Agents to source recovered paper from the United States, the United Kingdom and continental Europe. The Group considered that such arrangement would be most cost-effective to ensure the continued supply of recovered paper. Such recovered paper purchased was imported to the Group's manufacturing facilities in the PRC and in Southeast Asia as raw materials. For the latest financial year ended 31 December 2020, the amount of recovered paper purchased (including agent fee) by the Group pursuant to the 2018 Buying Agent Agreement was approximately US\$246 million (equivalent to approximately HK\$1,922 million) representing approximately 17% of the Group's total purchase of recovered paper in 2020, whilst the amount of recovered paper purchased directly from overseas independent suppliers amounted to approximately US\$65 million (equivalent to approximately HK\$506 million) representing approximately 5% of the Group's total purchase of recovered paper in 2020.

However, due to greater demand and awareness of environment and safety issues, the PRC government has implemented a number of new regulations on importing recovered paper. This has created difficulties for the Group on importing recovered paper from overseas in large volumes to support paper production in the PRC. In order to overcome such difficulties, the Group started using the Products as alternative raw materials in order to reduce the reliance on recovered paper and the Group has entered into the Master Agreement on 30 May 2019. Pursuant to the Master Agreement, each of Best Eternity, Ms. Lee Rosanna Man Lai and Ms. Lee Man Ching agreed to maintain certain production capacities and/or supply of the Products to enable the Group to secure quality pulp board, pulp roll and related product sources in the market at reasonable price. For the latest financial year ended 31 December 2020, the amount of the Products purchased by the Group from the Previous Vendors' Group was approximately US\$34 million (equivalent to approximately HK\$267 million) representing approximately 36% of the Group's total purchase of the Products in 2020, whilst the amount of Products purchased directly from independent suppliers amounted to approximately US\$60 million (equivalent to approximately HK\$472 million) representing approximately 64% of the Group's total purchase of the Products in 2020.

In January 2021, the PRC government implemented full import ban on recovered paper. As a result, the domestic supply of recovered paper in the PRC significantly tightened, driving up the prices of raw materials. In addition, demand for paper products has been further increased by the "replacement of plastic with paper" trend and the recovery of consumer market demand and accelerating industrial protection in the PRC. In response to such changes in the market, the Group continued to consolidate upstream resources and develop a vertical business model covering pulp-making and recovered paper recycling in order to integrate the industrial chain and ensure the supply of raw materials. The Group has also introduced new production capacities in countries such as Malaysia and Indonesia to cater for its business expansion. Since the full import ban, recovered paper purchased under the 2018 Buying Agent Agreement has been supplied to the new production plants in Southeast Asia.

In order to maintain a constant supply of raw material for paper production, the Group entered into the Buying Agent Agreement after the expiry of the 2018 Buying Agent Agreement, and Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement after the expiry of the Master Agreement.

The Directors (other than the independent non-executive Directors whose opinion will be given after receiving advice from the independent financial adviser, Somerley) are of the view that the terms of the Buying Agent Agreement and the Pulp Purchase Agreement are fair and reasonable and are on normal commercial terms, and the entering into of the Buying Agent Agreement and the Pulp Purchase Agreement is in the ordinary and usual course of business of the Group and is in the best interests of the Company and Shareholders as a whole.

LISTING RULE IMPLICATIONS

Buying Agent Agreement

Each of the Buying Agents is ultimately owned as to 60% and 40% by Mr. Ng Yu Hung and Ms. Chan Wai Man Vivian, respectively.

Ms. Chan Wai Man Vivian is the spouse of Mr. Ng Hok She Harry. Mr. Ng Hok She Harry is Head of Quality Assurance of the Group and a director of Guangdong Lee & Man Tissue Manufacturing Limited, which is an indirect wholly-owned subsidiary of the Company. Ms. Chan Wai Man Vivian and the Buying Agents are associates of Mr. Ng Hok She Harry under the Listing Rules. Accordingly, the Buying Agents are connected persons of the Company under the Listing Rules and the transactions under the Buying Agent Agreement constitute continuing connected transactions of the Company under the Listing Rules.

For completeness, Mr. Ng Yu Hung is a stepbrother of Dr. Lee Wan Keung Patrick (who held and is deemed to be interested in 411,283,920 Shares (representing approximately 9.46% of the total issued shares of the Company) and he is the father of Dr. Lee Man Chun, Raymond and Mr. Lee Man Bun, both executive Directors) and Mr. Ng Hok She Harry is the son of the brother of Mr. Ng Yu Hung.

Pulp Purchase Agreement

Best Eternity is indirectly owned as to 72% and 8% by Ms. Lee Man Ching and Mr. David Kung Fang, respectively. Mr. David Kung Fang is the spouse of Ms. Lee Man Ching.

Shun Yi is indirectly owned as to 90% and 10% by Ms. Lee Man Ching and Mr. David Kung Fang, respectively.

As Ms. Lee Man Ching is the sister of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, both executive Directors, the Vendors are associates of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun.

Accordingly, the Vendors are connected persons of the Company under the Listing Rules. The transactions under the Pulp Purchase Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules.

The relevant percentage ratios under the Listing Rules for the Buying Agent Annual Caps and the Pulp Purchase Annual Caps are, on an annual basis, more than 5%. Accordingly, the Buying Agent Agreement and the Pulp Purchase Agreement and the relevant annual caps will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Given the relationships above, (i) Dr. Lee Wan Keung Patrick, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun and (ii) Ms. Lee Rosanna Man Lai (who is the daughter of Dr. Lee Wan Keung, Patrick, the sister of Ms. Lee Man Ching, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun), will voluntarily abstain from voting at the EGM of the Company to approve the Buying Agent Agreement and the transactions contemplated thereunder and the relevant annual cap to avoid the perception of conflict of interest.

Given Ms. Lee Man Ching is the sister of Ms. Lee Rosanna Man Lai, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, and the daughter of Dr. Lee Wan Keung Patrick, each of Dr. Lee Man Chun Raymond, Mr. Lee Man Bun, Dr. Lee Wan Keung Patrick and Ms. Lee Rosanna Man Lai who are Shareholders are considered to have a material interest in the Pulp Purchase Agreement and will abstain from voting at the EGM of the Company to approve the Pulp Purchase Agreement and the transactions contemplated thereunder and the relevant annual caps.

As at the date of this announcement, (i) Dr. Lee Wan Keung Patrick held and is deemed to be interested in 411,283,920 Shares (representing approximately 9.46% of the total issued shares of the Company); (ii) Dr. Lee Man Chun Raymond held 1,358,991,040 Shares (representing approximately 31.27% of the total issued shares of the Company); (iii) Mr. Lee Man Bun held 1,358,991,040 Shares (representing approximately 31.27% of the total issued shares of the Company); and (iv) Ms. Lee Rosanna Man Lai held 4,564,865 Shares (representing approximately 0.11% of the total issued shares of the Company).

GENERAL

The principal business of Lee Kwok Trading is the procurement of raw materials.

The Buying Agents are principally engaged in the business of sourcing recovered paper.

Best Eternity is principally engaged in the business of manufacturing and sale of the Products in Myanmar.

Vantage Dragon is principally engaged in the business of investment holding.

Shun Yi is principally engaged in the business of manufacturing and sale of the Products in Thailand.

Ms. Lee Man Ching is the sister of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, both executive Directors.

Save as the following, no other Directors have any material interest in the Buying Agent Agreement and the Pulp Purchase Agreement or were required to abstain from voting at the board meetings of the Company in relation to the same:

- (a) to avoid the perception of conflict of interest, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (both executive Directors and associates of Dr. Lee Wan Keung Patrick), Mr. Li King Wai Ross (an executive Director and the son-in-law of Dr. Lee Wan Keung Patrick) and Mr. Lee Jude Ho Chung (an executive Director and whose grandfather is the younger brother of the grandfather of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun) had voluntarily abstained, from the voting on the board resolution of the Company in relation to the Buying Agent Agreement; and

- (b) to avoid the perception of conflict of interest, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (both executive Directors and brothers of Ms. Lee Man Ching) had abstained, and (ii) Mr. Li King Wai Ross (an executive Director and the brother-in-law of Ms. Lee Man Ching) and Mr. Lee Jude Ho Chung had voluntarily abstained, from the voting on the board resolution of the Company in relation to the Pulp Purchase Agreement.

The Company has set up the Independent Board Committee to advise the Independent Shareholders in respect of the Buying Agent Agreement and the Pulp Purchase Agreement and the relevant annual caps. The Company has appointed Somerley as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Buying Agent Agreement and the Pulp Purchase Agreement and the relevant annual caps.

A circular containing, among other things, (i) further information in relation to the transactions contemplated under the Buying Agent Agreement and the Pulp Purchase Agreement; (ii) the opinions and recommendations of the Independent Board Committee and the independent financial adviser; and (iii) the notice of the EGM will be despatched to the Shareholders no later than 26 November 2021.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the EGM to be held on Friday, 17 December 2021, the register of members of the Company will be closed from Tuesday, 14 December 2021 to Friday, 17 December 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 December 2021.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“2018 Buying Agent Agreement”	the buying agent agreement dated 8 November 2018 entered into among the existing buying agents and Lee Kwok Trading in relation to the sourcing of recovered paper;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Best Eternity”	Best Eternity Recycle Pulp And Paper Company Limited, a limited liability company incorporated in Myanmar;
“Board”	the board of Directors;
“Buying Agent(s)”	Winfibre BV, Winfibre UK and Winfibre US;

“Buying Agent Agreement”	the buying agent agreement dated 17 November 2021 entered into among the Buying Agents and Lee Kwok Trading in relation to the sourcing of recovered paper;
“Buying Agent Annual Caps”	the maximum annual consideration (being the aggregate of the purchase price of recovered paper, the agent fee and the relevant fees for obtaining regulatory certifications) to be paid to the Buying Agents for the sourcing of recovered paper for Lee Kwok Trading under the Buying Agent Agreement for each of the three financial years ending 31 December 2022, 2023 and 2024, details of which are set out in this announcement;
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“continuing connected transaction”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder, the Buying Agent Annual Caps and the Pulp Purchase Annual Caps;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of People’s Republic of China;
“Independent Board Committee”	a board committee comprising all three independent non-executive Directors, namely Mr. Wong Kai Tung Tony, Mr. Peter A. Davies, and Mr. Chau Shing Yim David and which will make recommendations to the Independent Shareholders in respect of the Buying Agent Agreement, the Pulp Purchase Agreement, the Buying Agent Annual Caps and the Pulp Purchase Annual Caps;

“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the resolutions with respect to the Buying Agent Agreement and the Pulp Purchase Agreement;
“Lee Kwok Trading”	Lee Kwok Trading Limited (formerly known as Lee Kwok (Macao Commercial Offshore) Trading Limited), a limited liability company incorporated in Macau and an indirect wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Agreement”	the master agreement dated 30 May 2019 entered into among Vantage Dragon and Best Eternity, Ms. Lee Rosanna Man Lai and Ms. Lee Man Ching in relation to the purchase of the Products;
“PRC”	the People’s Republic of China;
“Previous Vendors’ Group”	any of the majority owned company(ies) of Ms. Lee Rosanna Man Lai and/or Ms. Lee Man Ching from time to time, including Best Eternity, its parent companies, subsidiaries and fellow subsidiaries;
“Products”	pulp board, pulp roll and any ancillary or related pulp products;
“Pulp Purchase Agreement”	the pulp purchase agreement dated 17 November 2021 entered into among the Vendors and Vantage Dragon in relation to the sale and purchase of the Products;
“Pulp Purchase Annual Caps”	the maximum annual consideration (being the aggregate of the purchase price of the Products) to be paid to the Vendors’ Group for the purchase of the Products by the Group under the Pulp Purchase Agreement for the three financial years ending 31 December 2022, 2023 and 2024, details of which are set out in this announcement;
“SFC”	Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

“Share(s)”	ordinary share of HK\$0.025 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of shares of the Company;
“Shun Yi”	Shun Yi International Trading Company Limited, a limited liability company incorporated in Thailand;
“Somerley”	Somerley Capital Limited, being a corporation licensed by the SFC for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder, the Buying Agent Annual Caps and the Pulp Purchase Annual Caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Vantage Dragon”	Vantage Dragon Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Vendors”	collectively, Best Eternity, Shun Yi and Ms. Lee Man Ching and each a “Vendor”;
“Vendors’ Group”	any of the majority owned company(ies) of Ms. Lee Man Ching from time to time, including each of Best Eternity and Shun Yi, and its parent companies, subsidiaries and fellow subsidiaries;
“Winfibre BV”	Winfibre B.V., a limited liability company incorporated in the Netherlands;
“Winfibre UK”	Winfibre (U.K) Company Limited, a limited liability company incorporated in the United Kingdom;
“Winfibre US”	Winfibre (U.S.) Incorporated, a limited liability company incorporated in the United States;

“US\$” United States dollar, the lawful currency of United States of America; and

“%” per cent.

For illustration purposes only, the exchange rate of US\$1 = HK\$7.8 has been adopted for translating US\$ into HK\$ in this announcement.

By order of the Board
Lee & Man Paper Manufacturing Limited
Lee Man Chun Raymond
Chairman

Hong Kong, 17 November 2021

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Dr. Lee Man Chun Raymond, Mr. Lee Man Bun, Mr. Li King Wai Ross, Mr. Lee Jude Ho Chung and Mr. Yip Heong Kan, 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.