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If you have sold or transferred all your securities in **Lee & Man Paper Manufacturing Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A letter from the Independent Board Committee is set out on page 12 of this circular and a letter from Somerley Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 22 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at SPRG Office, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 28 June 2019 at 3:00 p.m. is set out on pages 27 to 28 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Caps”	the maximum annual consideration (being the aggregate of the purchase price of the Products) to be paid to the Vendors’ Groups for the purchase of the Products by the Group under the Master Agreement for six months ending 31 December 2019 and the two financial years ending 31 December 2020 and 31 December 2021, the details of which are set out in this circular;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“close associates”	has the meaning ascribed thereto in the Listing Rules;
“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 Master Agreement and the transactions contemplated thereunder and the Annual Caps;
“Group”	the Company and its subsidiaries;
“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, which will make recommendations to the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder and the Annual Caps;
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the resolution with respect to the Master Agreement and the transactions contemplated thereunder and the Annual Caps;

DEFINITIONS

“Latest Practicable Date”	3 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in the circular;
“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 the Vendors and Vantage Dragon in relation to the sale and purchase of the Products;
“PRC”	the People’s Republic of China;
“Products”	pulp board, pulp roll and any ancillary or related pulp products;
“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;
“Sommerley”	Sommerley 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 Master Agreement and the transactions contemplated thereunder and the 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;
“Vendor A”	Best Eternity Recycle Pulp And Paper Company Limited, a company incorporated in Myanmar;

DEFINITIONS

“Vendor A Group”	Vendor A, its parent companies, subsidiaries and fellow subsidiaries from time to time;
“Vendor B”	collectively, Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai;
“Vendor B Group”	any of the majority owned company(ies) of Ms. Lee Rosanna Man Lai and/or Ms. Lee Man Ching from time to time, other than Vendor A Group;
“Vendors”	collectively, Vendor A and Vendor B and each a “Vendor”;
“Vendors’ Groups”	collectively, Vendor A Group and Vendor B Group;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
“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 circular.

LETTER FROM THE BOARD



理文造紙有限公司*
Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

Executive Directors:

Dr. Lee Man Chun Raymond (*Chairman*)
Mr. Lee Man Bun
Mr. Li King Wai Ross

Non-executive Director:

Professor Poon Chung Kwong

Independent Non-executive Directors:

Mr. Wong Kai Tung Tony
Mr. Peter A. Davies
Mr. Chau Shing Yim David

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Office in Hong Kong:

5th Floor, Liven House
61-63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

10 June 2019

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement made by the Company dated 30 May 2019. On 30 May 2019, Vantage Dragon, an indirect wholly-owned subsidiary of the Company, entered into the Master Agreement with the Vendors.

The purpose of this circular is (i) to provide you with further information in relation to the transactions contemplated under the Master Agreement; (ii) to set out the opinions and recommendations of the Independent Board Committee and Somerley; and (iii) to give you notice of the EGM at which the resolution set out therein will be proposed. The EGM will be held on Friday, 28 June 2019 for the purpose of, among others, obtaining the approval from the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder and the Annual Caps.

* *For identification purposes only*

LETTER FROM THE BOARD

Master Agreement

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

Date:	30 May 2019
Parties:	(1) Vendor A; (2) Ms. Lee Man Ching; (3) Ms. Lee Rosanna Man Lai; and (4) 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 to (or to procure other members of their Vendors' Group, respectively to) sell the Products to the Group based on individual orders to be placed by the Group from time to time.
Term of Agreement:	From 1 July 2019 to 31 December 2021 (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 Product. 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:	Vantage Dragon (or such member of the Group placing the relevant Individual Orders) is to settle payments by ways of telegraphic transfer or letter of credit of 30 days.
Condition precedent:	The Master Agreement is conditional upon the approval of the Independent Shareholders for the Master Agreement and the transactions contemplated thereunder and the Annual Caps in accordance with the Listing Rules.

The terms of the Master Agreement were concluded based on normal commercial terms and in the Group's ordinary and usual course of business.

LETTER FROM THE BOARD

Pricing policy

Before placing a purchase order with the Vendors, the Group's procurement department will compare the purchase price payable to the relevant Vendor for each purchase against prices for the Products 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 Products. Based on this, the Group will prepare price tables on a daily basis setting out the maximum allowable purchase price of the Products 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 Vendors only if the purchase price payable to the relevant Vendor for a specified specification of the Products under the terms of the Master Agreement 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 Vendor 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 Master Agreement are conducted in accordance with the terms of the Master Agreement and will also regularly obtain updates on the market price of 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, which 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 Products purchased from the Vendors is not below the same of similar products available in the market.

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

The Company will conduct quarterly evaluation of the balances of Annual Caps under the Master Agreement.

The independent non-executive Directors will conduct an annual review of the transactions under the Master 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 Master Agreement pursuant to Rule 14A.56 of the Listing Rules.

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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 Master Agreement will be conducted on normal commercial terms and fair and reasonable and not prejudicial to the interests of the Company and its minority shareholders.

ANNUAL CAPS

The Annual Caps under the Master Agreement for each of the six months ending 31 December 2019 and two financial years ending 31 December 2020 and 2021 are as follows:

	Six months ending 31 December 2019	Year ending 31 December 2020	Year ending 31 December 2021
Annual Caps	HK\$1,200 million	HK\$2,400 million	HK\$2,400 million

The Annual Caps have been determined by reference to:

- (i) the estimated production capacities of Vendor A is approximately 340,000 metric tons per year, and Vendor B (by themselves or through any of companies in the Vendor B Group), is approximately another 340,000 metric tons per year. Pursuant to the Master Agreement, each of the Vendors has agreed to use its/their best endeavour to maintain the above production capacities and/or supply of the Products around 340,000 metric tons per year, through each of Vendor A Group and Vendor B Group, respectively. Vendor B had further undertaken that if they (whether by themselves or through Vendor B Group) cannot maintain the said production capacity and/or supply, they will procure Vendor A Group to produce and/or supply the Products so that under all circumstances the production capacity and/or supply of the Products by the Vendors will in aggregate be approximately 680,000 metric tons per year.
- (ii) the projected price for the Products, which is determined with reference to the average price of recovered pulp imported from Southeast Asian countries, including Indonesia, Malaysia, Singapore and Vietnam, as published on the website of General Administration of Customs in the PRC for the period from January 2018 to February 2019, which is US\$434 (equivalent to approximately HK\$3,385) per metric ton (the “**Published Average Import Price**”); and
- (iii) a buffer of approximately 4.3% on the estimated demand for the Products required by the Group.

The projected price for the Product used in arriving at the Annual Caps is based on the Published Average Import Price because 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 Annual Caps under the Master Agreement, the parties have also taken into account the assumption that during the term of the Master 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.

LETTER FROM THE BOARD

INFORMATION OF THE VENDORS

Vendor A is a company incorporated in Myanmar, which is principally engaged in the business of manufacturing and sale of the Products in Myanmar.

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

Ms. Lee Rosanna Man Lai is the spouse of Mr. Li King Wai Ross, the executive Director, and the sister of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, the executive Directors.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE MASTER AGREEMENT

The Group is principally engaged in the business of large-scale paper manufacturing and specialises in the production of linerboard, corrugating medium and tissue paper. Majority of the paper-making operations of the Group is conducted in the PRC. The principal business of Vantage Dragon is investment holding. Historically, the Group primarily used recovered paper in its paper-making process. In order to obtain a stable supply of recovered paper, the Group has engaged designated agents to source high quality recovered paper worldwide including in the Netherlands, the United Kingdom, the United States and Canada.

Due to greater demand and awareness of environment and safety issues, in recent years the PRC government has implemented a number of new regulations on importing recovered paper, which has created difficulties for the Group on importing recovered paper from overseas in such large volume it requires. In view of such stricter regulatory regime in the PRC, the Group has considered the Products as alternative raw materials for making paper as, to the best knowledge of the Company, there is no such PRC regulatory restriction similar to that imposed on importing recovered paper as at the Latest Practicable Date. As advised by the Vendor A, Vendor A is in the process of constructing the production facility for the production of the Products and currently expects to commence commercial production during the second half of 2019. The estimated production capacities of Vendor A is not less than 340,000 metric tons per year and Vendor B (by themselves or through any of companies in the Vendor B Group) is approximately another 340,000 metric tons per year. Despite the expected strong demand for such Products as the alternative raw materials for paper manufacturing companies given the regulatory environment on importing recovered paper into the PRC, each of the Vendors has agreed to use its/their best endeavour to maintain the above production capacities and/or supply of the Products around 340,000 metric tons per year, through each of Vendor A Group and Vendor B Group, respectively. Vendor B had further undertaken that if they (whether by themselves or through Vendor B Group) cannot maintain the said production capacity and/or supply, they will procure Vendor A Group to produce and/or supply the Products so that under all circumstances the production capacity and/or supply of the Products by the Vendors will in aggregate be approximately 680,000 metric tons per year. As using the Products as raw materials for making paper can reduce the reliance on recovered paper, which import is subject to the increased PRC regulatory restriction of recovered paper as mentioned above, the Directors consider that using the Products would help maintain smooth operation of the Group in paper production going forward.

Further, as the market is still evolving in response to the increased PRC regulatory restrictions on recovered paper and the Company has just started to use the Products as raw materials for paper production, the Company cannot ascertain or foresee with certainty the relevant financial impact as a

LETTER FROM THE BOARD

result of using the Products going forward. Nevertheless, the Company believes that should the limited supply of recovered paper due to such regulatory restriction continues, it may drive up the demand for alternative raw materials for paper production including the Products. It is therefore crucial to secure in advance the supply of Products with the Vendors so as to have an additional and stable source of raw materials to the Group and minimizing adverse impact on the Group from the operational and financial perspective.

The Group sees this as an opportunity to secure an additional source for the Products as the supply of which is still unstable given the early stage of this market and the current limited number of suppliers of the Products, in order to satisfy the Group's requirement for maintaining not only the current production level but also possible significant growth in the future.

The Master Agreement will enable the Group to secure quality pulp board, pulp roll and related product sources in the market at reasonable price to the Group. Under the Master Agreement, the Group is not required to exclusively purchase the Products from the Vendors, hence the Group can (i) diversify its source of supply for raw materials; (ii) lower its reliance on a particular source of raw material or supply channel; and (iii) retain its flexibility in selecting possible vendors, based on normal commercial terms.

Having taken into account the reasons for and benefits of the transactions contemplated under the Master Agreement as set out above, the Company considers it in the best interests of the Group to secure the supply of raw material from parties outside of the Group but which have a close relationship with the Group supporting it.

The Directors are of the view that the transactions contemplated under the Master Agreement are in the ordinary and usual course of business of the Group. The Directors are also of the view that the terms of the Master Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

Vendor A is indirectly majority owned by Ms. Lee Man Ching.

As Ms. Lee Rosanna Man Lai is the spouse of Mr. Li King Wai Ross, the executive Director, she is an associate of Mr. Li King Wai Ross. As Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai are both sisters of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, the executive Directors, the Vendors are also the associates of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun. Furthermore, as Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai are both daughters of Dr. Lee Wan Keung Patrick, the substantial shareholder of the Company, who held 507,342,000 Shares (representing approximately 11.58% of the total issued shares of the Company) as at the Latest Practicable Date, the Vendors are also the associates of Dr. Lee Wan Keung Patrick.

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

The relevant percentage ratios under the Listing Rules for the Annual Caps are, on an annual basis, more than 5%. Accordingly, the Master Agreement and the Annual Caps will be subject to the reporting,

LETTER FROM THE BOARD

annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. Given that (a) Ms. Lee Rosanna Man Lai is an associate of Mr. Li King Wai Ross; and (b) the Vendors are associates of Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Dr. Lee Wan Keung Patrick, each of Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Dr. Lee Wan Keung Patrick together with Ms. Lee Rosanna Man Lai who are Shareholders are considered to have a material interest in the Master Agreement and will abstain from voting at the EGM of the Company to approve the Master Agreement and the transactions contemplated thereunder and the Annual Caps. As at the Latest Practicable Date, (i) Dr. Lee Man Chun Raymond held 1,358,991,040 Shares (representing approximately 31.03% of the total issued shares of the Company); (ii) Mr. Lee Man Bun held 1,262,932,960 Shares (representing approximately 28.83% of the total issued shares of the Company); (iii) Ms. Lee Rosanna Man Lai held 4,564,865 Shares (representing approximately 0.10% of the total issued shares of the Company); and (iv) Dr. Lee Wan Keung Patrick held 507,342,000 Shares (representing approximately 11.58% of the total issued shares of the Company).

GENERAL

As Ms. Lee Rosanna Man Lai is the spouse of Mr. Li King Wai Ross, the executive Director, she is an associate of Mr. Li King Wai Ross. As Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai are both sisters of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, the executive Directors, the Vendors are also the associates of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun. As such, Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Mr. Li King Wai Ross are considered having material interest in the Master Agreement and had therefore abstained from voting on the board resolution of the Company in relation to the Master Agreement and the transactions contemplated thereunder. Save as aforesaid, no other Directors have any material interest in the Master Agreement or were required to abstain from voting at the board meetings of the Company in relation to the same.

The Company has set up the Independent Board Committee to advise the Independent Shareholders in respect of the Master Agreement and the related 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 Master Agreement and the related Annual Caps.

THE EGM

The following are the details of the EGM:

Date Friday, 28 June 2019

Time 3:00 p.m.

Venue SPRG Office, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong

The notice convening the EGM is set out on pages 27 to 28 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event so as to arrive not less than 48 hours before the time appointed for holding the EGM. The return of a form of proxy will not preclude you from attending and voting in person at the EGM should you so desire, and in which event, the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from 25 June 2019 to 28 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 24 June 2019.

POLL PROCEDURE

All votes of the Shareholders at the EGM shall be conducted by way of poll in accordance with the Listing Rules. After the conclusion of the EGM, the poll results will be announced by the Company in compliance with the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in respect of the resolution to approve the transactions contemplated under the Master Agreement and the Annual Caps.

The advice of Somerley to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Master Agreement are set out on pages 13 to 22 of this circular.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully
For and on behalf of
Lee & Man Paper Manufacturing Limited
Lee Man Chun Raymond
Chairman



理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

10 June 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders in respect of the resolution to approve the transactions contemplated under the Master Agreement, details of which are set out in the “Letter from the Board” contained in the circular of the Company (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the advice of Somerley in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Master Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole, as set out in the “Letter from Somerley” as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Somerley in relation thereto as stated in its letter, we consider the terms of the transactions contemplated under the Master Agreement and the Annual Caps to be fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Master Agreement and the Annual Caps.

Yours faithfully

Independent Board Committee

Mr. Wong Kai Tung Tony

Independent

Non-executive Director

Mr. Peter A. Davies

Independent

Non-executive Director

Mr. Chau Shing Yim David

Independent

Non-executive Director

* *For identification purposes only*

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

10 June 2019

To: The Independent Board Committee and the Independent Shareholders of Lee & Man Paper Manufacturing Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the entering into of the Master Agreement by Vantage Dragon, an indirect wholly-owned subsidiary of the Company, with the Vendors and the transactions contemplated thereunder together with the proposed annual caps of the transactions under the Master Agreement for the six months ending 31 December 2019 and the two financial years ending 31 December 2020 and 31 December 2021 (i.e. the Annual Caps). Details of the terms of the Master Agreement (together with the Annual Caps) are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 10 June 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the letter from the Board, due to greater demands and awareness of environment and safety issues, in recent years the PRC government has implemented a number of new regulations on recovered paper importing, which has created difficulties for the Group on importing recovered paper from overseas in such large volume it requires. In view of such stricter regulatory regime in the PRC, the Group has considered the Products as an alternative raw material for paper-making as, to the best knowledge of the Company, there is no such PRC regulatory restriction similar to that imposed on importing recovered paper as at the Latest Practicable Date. The terms under the Master Agreement were concluded based on normal commercial terms and in the Group's ordinary and usual course of business.

As stated in the letter from the Board, Vendor A is indirectly majority owned by Ms. Lee Man Ching. As Ms. Lee Rosanna Man Lai is the spouse of Mr. Li King Wai Ross, the executive Director, she is an associate of Mr. Li King Wai Ross. As Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai are both sisters of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, the executive Directors, the Vendors are also the associates of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun. Furthermore, as Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai are both daughters of Dr. Lee Wan Keung Patrick, the substantial shareholder of the Company, who held 507,342,000 Shares (representing approximately 11.58 % of the total issued shares of the Company) as at the Latest Practicable Date, the Vendors are also the associates

LETTER FROM SOMERLEY

of Dr. Lee Wan Keung Patrick. Accordingly, the Vendors are connected persons of the Company under the Listing Rules. The transactions under the Master Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules.

The relevant percentage ratios under the Listing Rules for the Annual Caps are, on an annual basis, more than 5%. Accordingly, the Master Agreement and the Annual Caps will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. Given that (a) Ms. Lee Rosanna Man Lai is an associate of Mr. Li King Wai Ross; and (b) the Vendors are associates of Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Dr. Lee Wan Keung Patrick, each of Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Dr. Lee Wan Keung Patrick together with Ms. Lee Rosanna Man Lai who are Shareholders are considered to have a material interest in the Master Agreement and will abstain from voting at the EGM of the Company to approve the Master Agreement and the transactions contemplated thereunder and the Annual Caps. As at the Latest Practicable Date, (i) Dr. Lee Man Chun Raymond held 1,358,991,040 Shares (representing approximately 31.03% of the total issued shares of the Company); (ii) Mr. Lee Man Bun held 1,262,932,960 Shares (representing approximately 28.83% of the total issued shares of the Company); (iii) Ms. Lee Rosanna Man Lai held 4,564,865 Shares (representing approximately 0.10% of the total issued shares of the Company); and (iv) Dr. Lee Wan Keung Patrick held 507,342,000 Shares (representing approximately 11.58% of the total issued shares of the Company).

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Wong Kai Tung Tony, Mr. Peter A. Davies and Mr. Chau Shing Yim David, has been formed to make recommendations to the Independent Shareholders in respect of the terms of the Master Agreement and the transactions contemplated thereunder (together with the Annual Caps). We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, the Vendors, or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the Master Agreement and the transactions contemplated thereunder (together with the Annual Caps). Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendors, or their respective substantial shareholders or associates.

During the past two years, Somerley Capital Limited acted as the independent financial adviser to the Company and issued opinion letter contained in the Company's circular dated 15 November 2018 in relation to continuing connected transactions of the Group. The past engagement was limited to providing independent advisory services to the Independent Board Committee and Independent Shareholders pursuant to the Listing Rules. Under the said past engagement, Somerley Capital Limited received normal professional fees from the Company. Notwithstanding the said past engagement, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and the Group, the Vendors and their associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Master Agreement and the transactions contemplated thereunder (together with the Annual Caps).

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In formulating our opinion, we have reviewed, amongst others, the Master Agreement, the agreements with the independent third party suppliers regarding the purchase of the Products, the annual report of the Company for the year ended 31 December 2018 and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group regarding the businesses of the Group, the prospects of conducting the Master Agreement and the transactions contemplated thereunder.

We have relied on the information and facts supplied, and the opinions expressed to us, by management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the terms of the Master Agreement and the transactions contemplated thereunder (together with the Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Group is principally engaged in the business of large-scale paper manufacturing and specialises in the production of linerboard, corrugating medium and tissue paper. Majority of the paper-making operations of the Group is conducted in the PRC.

2. Information on Vantage Dragon

The principal business of Vantage Dragon is investment holding.

3. Information on the Vendors

Vendor A is a company incorporated in Myanmar, which is principally engaged in the business of manufacturing and sale of the Products in Myanmar.

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

Ms. Lee Rosanna Man Lai is the spouse of Mr. Li King Wai Ross, the executive Director, and the sister of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, the executive Directors.

4. Reasons for entering into of the Master Agreement

As set out in the letter from the Board, historically, the Group primarily used recovered paper in its paper-making process. In order to obtain a stable supply of recovered paper, the Group

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has engaged designated agents to source high quality recovered paper worldwide including in the Netherlands, the United Kingdom, the United States and Canada.

Due to greater demand and awareness of environment and safety issues, in recent years the PRC government has implemented a number of new regulations on importing recovered paper, which has created difficulties for the Group on importing recovered paper from overseas in such large volume it requires. In view of such stricter regulatory regime in the PRC, the Group has considered the Products as alternative raw materials for making paper as, to the best knowledge of the Company, there is no such PRC regulatory restriction similar to that imposed on importing recovered paper as at the Latest Practicable Date. As advised by the Vendor A, Vendor A is in the process of constructing the production facility for the production of the Products and currently expected to commence commercial production during the second half of 2019. The estimated production capacities of Vendor A is not less than 340,000 metric tons per year and Vendor B (by themselves or through any of companies in the Vendor B Group) is approximately another 340,000 metric tons per year. Despite the expected strong demand for such Products as the alternative raw materials for paper manufacturing companies given the regulatory environment on importing recovered paper into the PRC, each of the Vendors has agreed to use its/their best endeavour to maintain the production capacity and/or supply of the Products around 340,000 metric tons per year through each of Vendor A Group and Vendor B Group, respectively. Vendor B had further undertaken that if they (whether by themselves or through Vendor B Group) cannot maintain the said production capacity and/or supply, they will procure Vendor A Group to produce and/or supply the Products so that under all circumstances the production capacity and/or supply of the Products by the Vendors will in aggregate be approximately 680,000 metric tons per year. As using the Products as raw materials for making paper can reduce the reliance on recovered paper, the import of which is subject to the increased PRC regulatory restriction of recovered paper as mentioned above, the Directors consider that using the Products would help maintain smooth operation of the Group in paper production going forward.

Further, as the market is still evolving in response to the increased PRC regulatory restrictions on recovered paper and the Company has just started to use the Products as raw materials for paper production, the Company cannot ascertain or foresee with certainty the relevant financial impact as a result of using the Products going forward. Nevertheless, the Company believes that should the limited supply of recovered paper due to such regulatory restriction continues, it may drive up the demand for alternative raw materials for paper production including the Products. It is therefore crucial to secure in advance the supply of Products with the Vendors so as to have an additional and stable source of raw materials to the Group and minimizing adverse impact on the Group from the operational and financial perspective.

The Group sees this as an opportunity to secure an additional source for the Products as the supply of which is still unstable given the early stage of this market and the current limited number of suppliers of the Products, in order to satisfy the Group's requirement for maintaining not only the current production level but also possible significant growth in the future.

As stated in the letter from the Board, the Master Agreement will enable the Group to secure quality pulp board, pulp roll and related products sources in the market at reasonable price. Under the Master Agreement, the Group is not required to exclusively or commit to purchase the Products from the Vendors, hence it can (i) diversify its source of supply for raw materials; (ii) lower its reliance on a particular source of raw material or supply channel; and (iii) retain its flexibility in

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selecting possible vendors based on normal commercial terms. Based on the above, the Company considers it in the best interests of the Group to secure the supply of raw material from parties outside the Group but which have a close relationship.

According to the reports 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), the import of recovered paper in the PRC for the 12 months ended 31 December 2018 decreased by 33.77% as compared to that in the corresponding period in 2017 and the import quota for recovered paper in 2019 may continue to contract, which, in our view, would further affect the Group’s procurement of offshore recovered paper for its production in the near term. The RISI reports also mentioned that the import of recovered pulp, which, as advised by the management of the Group, is equivalent to the Products, increased by 2.12 times in February 2019 as compared to that in February 2018. Moreover, we noted that Nine Dragons Paper (Holdings) Limited (2689.HK) acquired four pulp and paper mills in the United States in June, October and November 2018 and Zhejiang Jingxing Paper Joint Stock Co., Ltd. (002067.SZ) announced in January 2019 to invest and set up a recycled pulp board and packaging paper factory in Malaysia. It appears that other PRC paper manufacturers are also seeking to import alternative overseas raw materials (i.e. the Products) for production and acquire or set up the processing factories overseas. Therefore, it would have been a logical move for the Group to deal with the current situation by entering into the Master Agreement in order to secure an additional source of alternative raw materials.

Based on the above, we concur with the Directors that the entering into of the Master Agreement with the Vendors for the purchase of Products is in the interest of the Group by securing one of a few quality pulp board sources available in the market for use as raw materials in production at a reasonable price and ensuring its smooth operation going forward.

5. Principal terms of the Master Agreement

Terms

Pursuant to the Master Agreement, Vantage Dragon has conditionally agreed to buy (and any member of the Group may buy), and each of the Vendors has conditionally agreed to (or to procure other members of their Vendors’ Group, respectively to) sell the Products to the Group based on individual orders to be placed by the Group from time to time for a term of from 1 July 2019 to 31 December 2021 (both dates inclusive).

Pricing policy

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 (if such price is available on RISI) published by 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.

Before placing a purchase order with the Vendors, the Group’s procurement department will compare the purchase price payable to the relevant Vendor for each

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purchase against prices for the Products 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 (if such price is available on RISI) published by RISI in order to determine the purchase cost of the Products. Based on this, the Group will prepare price tables on a daily basis setting out the maximum allowable purchase price of the Products 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 Vendors only if the purchase price payable to the relevant Vendor for a specified specification of the Products under the terms of the Master Agreement 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 Vendor falls below the relevant maximum allowable price as set out in the price tables, the Group will proceed with such purchase.

Since the production facilities owned by the Vendors are yet to be operational, no samples of purchase orders between the Group and the Vendors are available for review.

Given the terms of the Master Agreement, which were based on normal commercial terms and the pricing of the Products will be at rates not higher than those offered by independent third party suppliers and the maximum prices set out in the daily maximum price tables, we consider the terms of the Master Agreement are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

6. Internal control

As stated in the letter from the Board, 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 Master Agreement are conducted in accordance with the terms of the Master Agreement and will also regularly obtain updates on the market price of 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, which 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 (if available) (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 Products from the Vendors is not below the same of similar products available in the market.

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

The Company will conduct quarterly evaluation of the balances of Annual Caps under the Master Agreement.

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For due diligence purposes, we have discussed with the management of the Group on the internal control procedures and noted that the internal control procedures to be implemented would be similar to those of other Hong Kong listed companies and those implemented for other continuing connected transactions of the Company except for engaging an independent accountant for annual review as to whether the purchase prices paid by the Group are fair and reasonable. Since the production facilities owned by the Vendors are yet to be operational, no samples of purchase orders between the Group and the Vendors are available for review. Based on the discussion with the management of the Group, the Company will put internal control in place to make sure that the purchase price stated in the purchase orders to be placed with the Vendors is no more than the purchase price set out in the sample purchase orders to be placed with or the quotation to be provided by the independent third party suppliers and the maximum price set out in the daily maximum allowable price tables. Furthermore, we have reviewed the qualifications of the management-level staff who would conduct the internal reviews and noted that they are experienced with more than 10 years working experience in the paper-making industry. In light of the above, we are of the view that the internal control procedures will be adequate to ensure that the transactions contemplated under the Master Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

Given (i) regular checks conducted by relevant personnel and management of the Group; and (ii) the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules and as stated in the letter from the Board of the Circular, review, among other things, whether the transactions contemplated under the Master Agreement are conducted on normal commercial terms; and (iii) the auditors of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, review, among other things, whether the transactions contemplated under the Master Agreement are conducted in accordance with its terms, we are of the view that adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the Master Agreement in order to protect the interests of the Company and the Independent Shareholders.

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7. The Annual Caps

Set out below are (i) the estimated amount for the Products to be purchased from the Vendors and the proposed Annual Caps for the six months ending 31 December 2019; and (ii) the proposed Annual Caps for each of the two years ending 31 December 2020 and 2021:

	For 6 months ending 31 December 2019 Estimated amount	For the financial year ending 31 December 2020 2021 Estimated amount Estimated amount	
Vendor A			
Quantity (metric tons)	170,000	340,000	340,000
Price (HK\$/metric ton)	3,385	3,385	3,385
Projected purchase amounts (HK\$) (A)	575,450,000	1,150,900,000	1,150,900,000
Vendor B (Note)			
Quantity (metric tons)	170,000	340,000	340,000
Price (HK\$/metric ton)	3,385	3,385	3,385
Projected purchase amounts (HK\$) (B)	575,450,000	1,150,900,000	1,150,900,000
(A) + (B)	1,150,900,000	2,301,800,000	2,301,800,000
Buffer (HK\$)	49,100,000	98,200,000	98,200,000
Annual Caps (HK\$)	1,200,000,000	2,400,000,000	2,400,000,000

Note:

Pursuant to the Master Agreement, Vendor B had further undertaken that if they (whether by themselves or through Vendor B Group) cannot maintain the said production capacity and/or supply, they will procure Vendor A Group to produce and/or supply the Products so that under all circumstances the production capacity and/or supply of the Products by the Vendors will in aggregate be approximately 680,000 metric tons per year

We have also reviewed and discussed with the management of the Group the projection of purchase of the Products from the Vendors for the six months ending 31 December 2019 and the two years ending 31 December 2020 and 2021. In light of the stringent restrictions on import of recovered paper in the PRC, the Group has been considering pulp board (i.e. the Products) as an alternative raw material to deal with the situation.

As advised by the Company, the projected purchase amount from the Vendors is based on the target aggregate production capacity of the Vendors of 680,000 metric tons per year as stated in the Master Agreement. As the Vendor A is expected to commence the production during the second half of 2019, the projected aggregate purchase amount is expected to be 340,000 metric tons for the year of 2019 and 680,000 metric tons for each of the year of 2020 and 2021.

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As advised by the Company, the purchase price for use in projecting the Annual Caps has been arrived at based on the average price of recovered pulp imported from Southeast Asian countries including Indonesia, Malaysia, Singapore and Vietnam of US\$434 per metric ton (equivalent to approximately HK\$3,385 per metric ton) in the 14 months ended 28 February 2019 as published on the website of General Administration of Customs of the PRC. Since recovered pulp is a relatively new source of raw material in the market for paper-making and the price for recovered pulp is yet to be available in the report published by RISI, the management of the Group considers the published statistics on the website of General Administration of Customs of the PRC to be appropriate and relevant for the determining the Annual Caps. However, in view of the increasing demand for the recovered pulp as a result of the changes in recovered paper import policy of China, the Company expects that the price of recovered pulp would be available in RISI report going forward as the market for recovered pulp continues to grow.

We have been provided with the quotation and shipping invoices of the Products by the independent third party suppliers, It is noted that the projected purchase price of HK\$3,385 per metric ton falls within the range of the prices of the Products quoted by or transacted with the independent third party suppliers of HK\$2,535 per metric ton to HK\$3,900 per metric ton.

A buffer of approximately HK\$49,100,000 or 4.3% has been provided in the 6 months ending 31 December 2019 and a buffer of approximately HK\$98,200,000 or 4.3% has been provided in 2020 and 2021 in order to accommodate any unexpected increases in the purchase price of the Products or the exchange rate.

Having considered that (i) the projected purchase quantity of the Products from the Vendors has been arrived at based on the target production capacity of the Vendors as stated in the Master Agreement; (ii) the projected purchase price of the Products offered by the Vendors is not higher than the prices quoted by the independent third party suppliers; (iii) the buffer for 6 months ending 31 December 2019 and each of the two years ending 31 December 2021 accommodates any unexpected increases in the purchase price of the Products or the exchange rate; and (iv) the reasons as explained above for entering into of the Master Agreement, we consider the Annual Caps under the Master Agreement to be fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Master Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Master Agreement and the transactions contemplated thereunder (together with the Annual Caps) are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM in relation to the terms of the Master Agreement and the transactions contemplated thereunder (together with the Annual Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (Advising on Corporate Finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

1. DISCLOSURE OF INTERESTS**1. Interests and short positions of Directors and chief executive in the share capital of the Company and its associated corporation**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules were as follows:

Directors’ interests in the Shares

Name of Director	Long Position/ Short Position		Number of Shares held	Approximate
	Capacity			% of total issued Shares (Note)
Dr. Lee Man Chun Raymond	Long Position	Beneficial owner	1,358,991,040	31.03%
Mr. Lee Man Bun	Long Position	Beneficial owner	1,262,932,960	28.83%
Mr. Li King Wai Ross	Long Position	Held by spouse	4,564,865	0.10%
Professor Poon Chung Kwong	Long Position	Beneficial owner	100,000	0.002%

Note:

The percentage has been compiled based on the total number of issued Shares of the Company as at the Latest Practicable Date (i.e. 4,380,000,000 Shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which he was taken or deemed to have under such provisions of the SFO) or the Model Code.

2. Interests and short position of Substantial Shareholders in the Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (not being a Director or chief executive of the Company) had, were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital:

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares held	Approximate % of total issued Shares (Note 1)
Ms. Ho Tsz Wan	Long position	Held by spouse (Note 2)	1,262,932,960	28.83%
Dr. Lee Wan Keung Patrick	Long position	Beneficial owner	507,342,000	11.58%
Ms. Lee Wong Wai Kuen	Long position	Held by spouse (Note 3)	507,342,000	11.58%

Notes:

1. The percentage has been compiled based on the total number of issued Shares issued as at the Latest Practicable Date (i.e. 4,380,000,000 Shares).
2. Under the SFO, Ms. Ho Tsz Wan is deemed to be interested in the 1,262,932,960 Shares held by Mr. Lee Man Bun as she is the spouse of Mr. Lee Man Bun.
3. Under the SFO, Ms. Lee Wong Wai Kuen is deemed to be interested in the 507,342,000 Shares held by Dr. Lee Wan Keung Patrick as she is the spouse of Dr. Lee Wan Keung Patrick.

Save as disclosed above, as at the Latest Practical Date, as far as the Company is aware of, there was no other person (other than the above mentioned Directors) who had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which will not expire or may not be terminated by the Group within one (1) year without the payment of compensation other than statutory compensation.

4. COMPETING INTERESTS

None of the Directors and their respective close associates were interested in any business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the business of the Group as at the Latest Practicable Date.

5. EXPERT

- (a) The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 10 June 2019 and reference to its name in the form and context in which it appears:

Name	Qualification
Somerley	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

- (b) To the best knowledge of the Directors, as at the Latest Practicable Date, Somerley did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) To the best knowledge of the Directors, as at the Latest Practicable Date, Somerley did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date up to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) As at the Last Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date up to which the latest published audited financial statements of the Group were made up.

- (b) As at the Last Practicable Date, save as the buying agent agreement dated 8 November 2018 entered into among Winfibre B.V., Winfibre U.K. Company Limited and Winfibre U.S. Incorporated (together as the buying agents) and Lee Kwok (Macao Commercial Offshore) Trading Limited, an indirect wholly-owned subsidiary of the Company, in relation to the sourcing of recovered paper, which Dr. Lee Man Chun Raymond and Mr. Lee Man Bun were considered having material interest in (as disclosed in the circular of the Company dated 15 November 2018), none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting which is significant in relation to the business of the Group.

7. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Cheung Kwok Keung, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 5th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the Master Agreement will be available for inspection during normal business hours on any weekday (except public holidays) at 5th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong, from 10 June 2019 up to 24 June 2019 (not less than 14 days from this circular).

NOTICE OF EXTRAORDINARY GENERAL MEETING



理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Lee & Man Paper Manufacturing Limited (the “**Company**”) will be held at SPRG Office, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 28 June 2019 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the master agreement (the “**Master Agreement**”) dated 30 May 2019 entered into among Vantage Dragon Limited, Best Eternity Recycle Pulp And Paper Company Limited, Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai and the transactions contemplated thereunder (including the proposed annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company which he considers necessary or desirable in connection with or to give effect to the Master Agreement and the transactions contemplated thereunder.”

By order of the Board of
Lee & Man Paper Manufacturing Limited
Mr. Cheung Kwok Keung
Company Secretary

Hong Kong, 10 June 2019

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

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
2. Where there are joint registered holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM, and in default the form of proxy shall not be treated as valid.
5. The completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. A form of proxy for use at the EGM is enclosed.

CLOSURE OF REGISTER OF MEMBERS IN RELATION TO THE EGM

For ascertaining shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from 25 June 2019 to 28 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 24 June 2019.