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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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 and its members' liability is limited)

(Stock Code: 2314)

**CONTINUING CONNECTED TRANSACTIONS
(1) BUYING AGENT AGREEMENT AND
(2) PULP PURCHASE AGREEMENT
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 21 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 22 to 38 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at SPRG Office, 24/F, Admiralty Centre Tower I, 18 Harcourt Road, Hong Kong on Thursday, 23 December 2021 at 2:00 p.m. is set out on pages 43 to 44 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 54, 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.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 5 of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the EGM, including:

- compulsory temperature checks and health declaration
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments
- appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. In order to facilitate the prevention and control of the novel coronavirus (COVID-19), and to safeguard the health and safety of attending Shareholders, the Company encourages Shareholders to consider NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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DEFINITIONS

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

“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 circular;
“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;

DEFINITIONS

“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;
“Latest Practicable Date”	30 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in the circular;
“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, 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;

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“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 circular;
“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;

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“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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of People’s Republic of China;
“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.

PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and stakeholders is of paramount importance to the Company. In view of the ongoing novel coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company encourages each attendee to wear a surgical face mask throughout the EGM and inside the EGM venue, and to maintain a safe distance between seats;
- (iii) no refreshment will be served, and there will be no corporate gift; and
- (iv) each attendee may be asked whether
 - a. he/she travels outside of Hong Kong within the 21-day period immediately before the EGM; and
 - b. he/she is subject to any Hong Kong Government prescribed quarantine.

Anyone who responds in the affirmative in respect of any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Company encourages Shareholders NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and returning the proxy form attached to this circular.

The form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). In calculating the aforementioned notice period, no account is to be taken of any part of a day that is a public holiday.

If any Shareholder chooses not to attend the EGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the principal office of the Company in Hong Kong at 5th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong, or to the email of the share registrar of the Company at is-enquiries@hk.tricorglobal.com. If any Shareholder has any question relating to the EGM, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
HK Tel: (852) 2980 1333
Fax: (852) 2810 8185



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)

Executive Directors:

Dr. Lee Man Chun Raymond (*Chairman*)
Mr. Lee Man Bun
Mr. Li King Wai Ross
Mr. Lee Jude Ho Chung
Mr. Yip Heong Kan

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

2 December 2021

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
(1) BUYING AGENT AGREEMENT AND
(2) PULP PURCHASE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement made by the Company dated 17 November 2021. On 17 November 2021, Lee Kwok Trading and the Buying Agents entered into the Buying Agent Agreement, and Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement.

The purpose of this circular is (i) to provide you with further information in relation to the transactions contemplated under the Buying Agent Agreement and the Pulp Purchase 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 Thursday, 23 December 2021 for the purpose of, among others, obtaining the approval from

* *For identification purposes only*

LETTER FROM THE BOARD

the Independent Shareholders in respect of the Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder and the Buying Agent Annual Caps and Pulp Purchase Annual Caps.

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 in 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;

LETTER FROM THE BOARD

- (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.

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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 to be charged 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 is determined and agreed after arms' length commercial negotiation between the parties, having reference to the Buying Agents' operating costs in providing recovered paper sourcing services (including their administrative costs such as office rental and human resources costs), the total price paid to the Buying Agents by the Group in 2021 (which includes, among other things, the agent fee) and/or the then prevailing market practices (if any).

A higher agent fee might result in the Buying Agents' quotation being less competitive and the total price payable to the Buying Agents by the Group shall be no less favourable than that offered by independent third party suppliers. Given their nature, the agent fees are not expected to adjust frequently, nevertheless pursuant to the Buying Agent Agreement, the adjustment increment can only go up to a maximum of 10% from 2023 onwards. This adjustment is mainly to accommodate any changes in the abovementioned operating costs of the Buying Agents due to inflation and unexpected market changes which may cause the Buying Agents' operating costs to increase and it is also based on the highest agent fee rate actually charged in the previous year.

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.

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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.

The historical transaction amounts were relatively low compared to the relevant historical annual caps under the 2018 Buying Agent Agreement because of the unprecedented situation involving the full import ban on recovered paper to the PRC which commenced after signing of the 2018 Buying Agent Agreement.

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Due to the import ban, the Group aims to reposition all the offshore recovered paper which was previously sourced for use in the PRC to Southeast Asia and the Group plans to further expand its paper-making business and pulp making and waste paper recycling operations in Southeast Asian countries by introducing new production lines in those existing factories and setting up more factories. Presently, the Group operates two paper mills in Vietnam and Malaysia and a pulp factory in Indonesia. The production facilities in Malaysia and Indonesia are relatively new as they were only set up in 2020, and they are expected to achieve full production capacity by 2023. This, together with the Group's intention to improve its profitability, resulted in the Group's determination of the Buying Agent Annual Caps to be such amount sufficient to satisfy the demand of the Group including those newly set up paper mill operations in Southeast Asia. These 2023 and 2024 annual caps in particular are also comparable to the tonnage of recovered paper actually purchased in 2018 prior to the adverse impact of the COVID-19 pandemic and change in PRC regulations prohibiting import of recovered paper.

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.

Therefore, taking into account the above, the Directors consider the Buying Agent Annual Caps to be fair and reasonable.

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 in 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.

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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 prices for recovered paper and pulp from multiple sources including (where available) prices reported 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) and where the price of any of the relevant Products is not available on RISI, the Group will compare the price against other market rates according to price quotes in relation to similar products obtained from at least two independent third party suppliers, compare against the price of comparable domestic recovered paper and (where possible) refer to an online platform in relation to import and export customs statistics maintained by the Haikou Customs District PRC for the price of importing similar products. 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.

LETTER FROM THE BOARD

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
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 expects the political crisis in Myanmar to continue in the near future and therefore, based on the Company's best estimation given the uncertainty and instability of the situation, the Company assumes for now that Best Eternity, the Vendors' manufacturing facilities in Myanmar, will resume operation gradually from the third quarter of 2022.

The Company understands that a state of emergency in Myanmar was declared in February 2021, and a one-year emergency rule was announced. Elections are currently expected to be held and the state of emergency is expected to be extended to no later than August 2023. Given the above, the Company believes the chances of resumption of operation within 1 year is remote but has assumed for now based on their best possible estimation (and subject to the economic and social stability of Myanmar having been maintained) that the business environment (including the Vendor's manufacturing facilities in Myanmar) may resume some normality to a certain extent starting from the third quarter of 2022, being two-thirds into the period from the start of the current political situation and in anticipation of the next election.

- (2) Estimation is based on the assumption that the Vendors' Group will resume full production capacity starting from the calendar year 2023 after recovery from the political tension and/or the COVID-19 pandemic (as the case may be).

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

- (i) the 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 the Vendors' Group is approximately 825,000 metric tons per year. The projected purchase amount is based on the production capacities of the two factories and the estimated time for resumption of the factory operations in Myanmar. Pursuant to the Pulp Purchase Agreement, the Vendors' Group has agreed to use its best endeavour to maintain the above production capacity and/or supply of the Products per year;

LETTER FROM THE BOARD

- (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 average selling price increase of about 23% in 2021 charged by the Vendors (according to historical pulp purchase records); 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. As mentioned above, where the price of any of the relevant Products is not available on RISI, the Group will compare the price against other market rates according to price quotes in relation to similar products obtained from at least two independent third party suppliers, compare against the price of comparable domestic recovered paper and (where possible) refer to an online platform in relation to import and export customs statistics maintained by the Haikou Customs District PRC for the price of importing similar products.

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, 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.

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, which factors considered include but is not limited to the type, nature and quality of the recovered paper or relevant Product (as the case may be), 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 maximum allowable purchase price is set by the marketing team based on reports published by RISI regarding the industry in general and logistics reports on fluctuations in logistics costs globally, which allows the marketing team to understand and draw conclusions on the supply and demand of the recovered paper or the Products (as the case may be), which in turn affects their purchase prices. 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 may be) 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

LETTER FROM THE BOARD

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 at least two independent third party suppliers for the Products (which are generally waste management companies), 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.

LETTER FROM THE BOARD

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 specialises 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, the term of which begins after the expiry of the 2018 Buying Agent Agreement, and Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement, the term of which begins after the expiry of the Master Agreement.

LETTER FROM THE BOARD

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 Production and Quality Assurance of Tissue Paper of the Group and a director of Guangdong Lee & Man Tissue Manufacturing Limited and Guangdong Lee & Man Trading Company Limited, which are indirect wholly-owned subsidiaries 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 415,278,920 Shares (representing approximately 9.55% of the total issued shares of the Company)). Dr. Lee Wan Keung Patrick is the father of Dr. Lee Man Chun, Raymond and Mr. Lee Man Bun, who are 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.

LETTER FROM THE BOARD

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, and 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 Latest Practicable Date, (i) Dr. Lee Wan Keung Patrick held and is deemed to be interested in 415,278,920 Shares (representing approximately 9.55% 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 voting on the board resolution of the Company in relation to the Buying Agent Agreement; and

LETTER FROM THE BOARD

- (b) Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (both executive Directors and brothers of Ms. Lee Man Ching) had abstained, and to avoid the perception of conflict of interest, 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 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.

THE EGM

The following are the details of the EGM:

Date	Thursday, 23 December 2021
Time	2:00 p.m.
Venue	SPRG Office, 24/F, Admiralty Centre Tower I, 18 Harcourt Road, Hong Kong

The notice convening the EGM is set out on pages 43 to 44 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 54, 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.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the EGM, which is to be held on Thursday, 23 December 2021, the register of members of the Company will be closed from Monday, 20 December 2021 to Thursday, 23 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 Friday, 17 December 2021.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the Buying Agent Agreement and Pulp Purchase Agreement, the transactions contemplated thereunder and the Buying Agent Annual Caps and the Pulp Purchase Annual Caps are in the ordinary and usual course of business of the Group and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Buying Agent Agreement and Pulp Purchase Agreement, the transactions contemplated thereunder and the Buying Agent Annual Caps and the Pulp Purchase Annual Caps.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 21 of this circular which contains its recommendation to the Independent Shareholders in respect of the resolution to approve the transactions contemplated under the Buying Agent Agreement and the Pulp Purchase Agreement and the Buying Agent Annual Caps and the Pulp Purchase Annual Caps.

The advice of Somerley to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Buying Agent Agreement and the Pulp Purchase Agreement is set out on pages 22 to 38 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 and its members' liability is limited)

(Stock Code: 2314)

2 December 2021

To the Independent Shareholders

Dear Sir or Madam,

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

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 Buying Agent Agreement and the Pulp Purchase 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 Buying Agent Agreement and the Pulp Purchase 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 Buying Agent Agreement, the Pulp Purchase Agreement, the Buying Agent Annual Caps and the Pulp Purchase 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 resolutions to be proposed at the EGM to approve the transactions contemplated under the Buying Agent Agreement, the Pulp Purchase Agreement, the Buying Agent Annual Caps and the Pulp Purchase 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

2 December 2021

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

Dear Sirs,

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

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 Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder, the Buying Agent Annual Caps and the Pulp Purchase Annual Caps. Details of the terms of the Buying Agent Agreement and the Pulp Purchase Agreement, the Buying Agent Annual Caps and the Pulp Purchase Annual Caps are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 2 December 2021 (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, 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 Production and Quality Assurance of Tissue Paper of the Group and a director of Guangdong Lee & Man Tissue Manufacturing Limited and Guangdong Lee & Man Trading Company Limited, which are an indirect wholly-owned subsidiaries 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 415,278,920 Shares (representing approximately 9.55% of the total issued shares of the Company)). Dr. Lee Wan Keung Patrick is the father of Dr. Lee Man Chun, Raymond and Mr. Lee Man Bun, who are both executive Directors and Mr. Ng Hok She Harry is the son of the brother of Mr. Ng Yu Hung. 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.

LETTER FROM SOMERLEY

Lee Man Chun Raymond and Mr. Lee Man Bun, both executive Directors, the Vendors are the 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.

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 Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder, the Buying Agent Annual Caps and the Pulp Purchase 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 Buying Agents, the Vendors, or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms 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. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Buying Agents, the Vendors, or their respective substantial shareholders or associates.

In formulating our opinion, we have reviewed, amongst others, the Buying Agent Agreement and the Pulp Purchase Agreement, the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**"), the interim report of the Company for the six months ended 30 June 2021 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 Buying Agent Agreement and the Pulp Purchase 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.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the terms 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, 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.

2. Information on the Buying Agents

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

3. Information on the Vendors

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

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.

4. Reasons for the entering into of the Buying Agent Agreement and the Pulp Purchase Agreement

As set out in the letter from the Board, 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. 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

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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, the term of which begins after the expiry of the 2018 Buying Agent Agreement, and Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement, the term of which begins after the expiry of the Master Agreement.

Based on the above, we concur with the Directors that 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.

5. Principal terms of the Buying Agent Agreement and the Pulp Purchase Agreement

5.1 *Buying Agent Agreement*

Background

On 8 November 2018, the Buying Agents and Lee Kwok Trading (an indirect wholly-owned subsidiary of the Company) entered into the 2018 Buying Agent Agreement with the Buying Agents, 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 for three years commencing from 1 January 2019 up to and including 31 December 2021. As the 2018 Buying Agent Agreement will expire after 31 December 2021, Lee Kwok Trading entered into the Buying Agent Agreement on 17 November 2021 to extend the services provided by the Buying Agents for a further term of three years. During the term of the Buying Agent Agreement, Lee Kwok Trading may

LETTER FROM SOMERLEY

appoint other buying agents for the purchase of recovered paper. The Buying Agents may act as buying agents for any party other than Lee Kwok Trading.

Principal terms

i. Agent fee and regulatory fee

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) an 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 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. As advised by the management of the Group, the differences in average agent fees charged by the Buying Agents were mainly due to (i) the different costs (e.g. inspection costs, logistics costs, labour costs, etc.) incurred by the Buying Agents when providing the recovered paper sourcing services in different regions and (ii) the different purchase volume of recovered paper from each of the Buying Agents. Based on the information provided by the Company, the average agent fees paid to Winfibre US decreased from US\$5.0 per metric ton to US\$4.0 per metric ton and to Winfibre UK stabilised at US\$5.2 per metric ton from 2019 to 2020 and both were maintained at the levels as in 2020 during the first nine months of 2021. Based on the information provided by the Company and as advised by the management of the Group, (i) the purchase volume of recovered paper from Winfibre US was significantly larger than that from Winfibre UK; and (ii) the decreases in the average agent fee paid to Winfibre US and Winfibre UK in 2020 were due to the economies of scale achieved through significantly increased purchase amount from the two Buying Agents in 2020 as compared to 2019. The average agent fee paid to Winfibre BV during 2019 was US\$6.9 per metric ton and no agent fee was paid to Winfibre BV in 2020 and the first nine months of 2021 as the Group did not purchase any recovered paper from Winfibre BV in those periods. All agent fees paid to the Buying Agents did not exceed the agent fee caps as set out in the 2018 Buying Agent Agreement and the Buying Agent Agreement. The incremental rate of 10% is set to accommodate any unexpected increase in operating costs of the Buying Agents resulting from inflation or market changes.

Prior to 2021, the relevant fees for obtaining regulatory certifications were required for recovered paper to be imported to the PRC. According to the service quotation list previously published by the CCIC (China Certification & Inspection Group), the relevant fees for obtaining regulatory certifications were charged to all suppliers on the same basis by the CCIC. The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) took effective from 1 September 2020, pursuant to the Article 24 of which, the PRC is committed to gradually eliminate the import of solid waste. In addition, on 24 November 2020, the Ministry of

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Ecology and Environment of the PRC (中華人民共和國生態環境部), the Ministry of Commerce of the PRC (中華人民共和國商務部), National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and General Administration of Customs of the PRC (中華人民共和國海關總署) jointly issued the Notice on the Matters in respect of Ban on the Import of Solid Waste (關於全面禁止進口固體廢物有關事項的公告), pursuant to which the import of solid waste shall be forbidden starting from 1 January 2021. As a result, as advised by the management of the Group, the relevant certification fees were no longer required following the ban on the import of solid waste. However, as advised by the management of the Group, the current situation may not fully rule out the possibility of lifting the ban on the import of recovered paper in the future and they believe keeping of the relevant certification fees as part of the total price in the Buying Agent Agreement will allow some flexibility to accommodate any regulatory changes in the future.

Given that (i) the sum of the purchase prices, the agent fees and the relevant fees for obtaining regulatory certifications (if any) were no less favourable than those offered by the independent suppliers as stipulated under the pricing policy set out below; (ii) the agent fee rates, which have been determined after arm's length negotiations between the parties having taken into account the cost structure of the Buying Agents' operation and the respective purchase amount from each of them, are no more than the respective agent fee caps set out in the 2018 Buying Agent Agreement and the Buying Agent Agreement; and (iii) the incremental rate of 10% is to accommodate inflation or any unexpected market changes, we consider the agent fee and the fees for obtaining the regulatory certifications payable to the Buying Agents under the Buying Agent Agreement to be fair and reasonable.

ii. Total price

The Group's procurement procedure in respect of the Buying Agent Agreement is largely the same as that for the 2018 Buying Agent Agreement, details of which have been set out in the Company's circular dated 15 November 2018 and the letter from the Board. The procurement department will place an order with the Buying Agents only if (i) the total price payable to the relevant Buying Agent for a specified specification of recovered paper under the terms of the Buying Agent Agreement is no less favourable than those available from independent suppliers for relevant delivery dates or/and prices as indicated by the RISI index, and (ii) the total price payable to the relevant Buying Agent falls below the relevant maximum allowable price as set out in the price tables.

As disclosed in the Company's circular dated 15 November 2018, the price quotation provided by the independent suppliers of recovered paper is a lump sum rather than splitting into agent fee and their purchase cost of recovered paper. Therefore, the Company adopts an alternative approach to compare the total purchase price (comprising the purchase cost, agent fee and the relevant regulatory fees) offered by the Buying Agents against the purchase price offered by independent suppliers.

We have obtained and reviewed all recovered paper purchase records in the past two years and nine months as provided by the Company. We noted that the total prices paid to the Buying Agents were generally no less favourable than the total prices paid to the independent suppliers for recovered paper with comparable specifications in the same

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month, except for some transactions where the Buying Agents charged higher purchase prices than the independent suppliers. As advised by the management of the Group, to ensure stable raw material supply and smooth operation of the Group, the Group might be willing to accept higher purchase prices offered by the Buying Agents when only the Buying Agents are able to deliver a large volume of some specific recovered paper at short notice. Based on our review of the recovered paper purchase records of the Group, we noted that those transactions only accounted for less than 1% of the total purchase volume in each of 2019 and 2020 and in the first nine months of 2021. In addition, we randomly selected some samples of the transactions entered into with the Buying Agents and obtained the corresponding purchase orders and the daily price tables prepared by the Group. We noted that the purchase prices set out in the sample purchase orders agreed to the prices set out in the recovered paper purchase records and did not exceed the maximum allowable prices set out in the price tables.

Given that the pricing of the recovered paper for transactions entered into with the Buying Agents was generally at rates (being the sum of the unit price, an agent fee and the relevant fees for obtaining regulatory certifications) no less favourable than those offered by independent suppliers and the maximum prices set out in the daily maximum price tables, we consider the pricing policy of the Buying Agent Agreement is on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

iii. Payment

We have obtained a list of all independent recovered paper suppliers (the “**Independent Recovered Paper Suppliers List**”) from the Company which sets out the credit periods offered by each of them to the Group and randomly selected some sample transactions entered into with those independent suppliers. We noted that the credit periods set out in the purchase orders for those selected sample transactions agreed to those on the Independent Recovered Paper Suppliers List. Based on the Independent Recovered Paper Supplier List, we noted that the credit period of 120 days offered by the Buying Agents was longer than those offered by all the independent suppliers and thus consider the payment term under the Buying Agent Agreement to be fair and reasonable.

Given that (i) the pricing of the recovered paper under the Buying Agent Agreement is at rates no less favourable than those offered by independent suppliers, except for occasional circumstances where there is insufficient supply of offshore recovered paper in the market, and does not exceed the maximum prices set out in the daily maximum price tables; and (ii) the payment term under the Buying Agent Agreement is better than those offered by independent suppliers, we consider the terms of the Buying Agent Agreement are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

5.2 *Pulp Purchase Agreement*

Background

On 30 May 2019, Vantage Dragon (an indirect wholly-owned subsidiary of the Company), Best Eternity, Ms. Lee Man Ching and Ms. Lee Rosanna Man Lai entered into

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the Master Agreement, pursuant to which the Group may buy, and the Previous Vendors' Group may sell, the Products from time to time for a term from 1 July 2019 to 31 December 2021. As the Master Agreement will expire after 31 December 2021, Vantage Dragon and the Vendors entered into the Pulp Purchase Agreement on 17 November 2021 to extend the arrangement for a further term of three years.

Principal terms

i. Pricing

The Group's procurement procedure in respect of the Pulp Purchase Agreement is largely the same as that for the Master Agreement, details of which have been set out in the Company's circular dated 10 June 2019 and the letter from the Board. The procurement department will place an order with the Vendors only if (i) the purchase price payable to the relevant Vendor for a specified specification of the Products under the terms of the Pulp Purchase Agreement is no less favourable than those which are available from independent suppliers for relevant delivery dates; and (ii) the purchase price payable to the relevant Vendor falls below the relevant maximum allowable price as set out in the Group's price tables.

We have obtained and reviewed all recovered pulp purchase records in the past two years and nine months as provided by the Company. We noted that the prices paid to the Previous Vendors' Group in each of the two years ended 31 December 2020 and the first nine months of 2021 were generally no less favourable than the average prices paid to the independent suppliers in the corresponding periods, except for some transactions where the Previous Vendors' Group charged higher purchase prices than the independent suppliers. As advised by the management of the Group, to ensure stable raw material supply and smooth operation of the Group, the Group might be willing to accept higher purchase prices offered by the Previous Vendors' Group when only the Previous Vendors' Group is able to deliver a large volume of some specific recovered pulp at short notice. Based on our review of the pulp purchase records of the Group, we noted that those transactions only accounted for less than 1% of the total purchase volume in each of 2019 and 2020 and less than 2% of the total purchase volume for the first nine months of 2021. In addition, we randomly selected some samples of the transactions entered into with the Previous Vendors' Group and obtained the corresponding purchase orders and the daily price tables prepared by the Group. We noted that the purchase prices set out in the sample purchase orders agreed to those set out in the recovered pulp purchase records and did not exceed the maximum allowable prices set out in the price tables.

ii. Payment

We have obtained a list of all independent pulp suppliers (the "**Independent Pulp Suppliers List**") which sets out the credit periods offered by each of them to the Group and randomly selected some sample transactions entered into with those independent suppliers. We noted that the credit periods set out in the purchase orders for those selected sample transactions agreed to those on the Independent Pulp Supplier List. Based on the Independent Pulp Supplier List, we noted that the credit period of 30 days offered by the Vendors was longer than those offered by all the independent suppliers and thus consider the payment term under the Pulp Purchase Agreement to be fair and reasonable.

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Given that (i) the pricing of the Products is at rates no less favourable than those offered by independent suppliers and the maximum prices set out in the daily maximum price tables, except for occasional circumstances where there is insufficient supply of Products in the market; and (ii) the payment term under the Pulp Purchase Agreement is better than those offered by independent suppliers, we consider the terms of the Pulp Purchase 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 set out in the letter from the Board, (i) 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 thereunder and will also regularly obtain updates on the market price of recovered paper and the Products for assessing as to whether the transaction prices are fair and reasonable and in accordance with the pricing policy; (ii) the sales and marketing team of the Group will on a monthly basis gather market intelligence to ensure the quality of the recovered paper and the Products purchased are similar or not lower than similar products in the market; (iii) the Company will conduct semi-annual reviews of the transactions conducted under the Buying Agent Agreement and the Pulp Purchase Agreement; (iv) the Company will conduct semi-annual evaluation of the balances of the Buying Agent Annual Caps and the Pulp Purchase Annual Caps; and (v) the independent non-executive Directors and 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 Rules 14A.55 and 14A.56 of the Listing Rules respectively. For due diligence purposes, as discussed in section 5, we have (i) obtained and reviewed all purchase records for both recovered paper and the Products in the past two years and nine months and (ii) randomly selected samples (comprising 10 samples from connected persons and 10 samples from independent suppliers) to compare the terms under the 2018 Buying Agent Agreement and the Master Agreement with those of price tables and transactions entered into with independent suppliers, and noted that the prices paid to the Buying Agents and the Previous Vendors' Group were no less favourable than those paid to the independent suppliers, except for occasional circumstances where there is insufficient supply of recovered paper/the Products in the market, and did not exceed the maximum allowable price in the price tables. For occasional circumstances mentioned above, the transactions of large volume conducted by the Group at prices slightly higher than those of the independent suppliers accounted for less than 1% to 2% of its annual purchase of recovered paper and the Products in 2019 – 2021.

Given that (i) regular checks are conducted by relevant personnel and management of the Group; (ii) the independent non-executive Directors and the auditors of the Company will review, among other things, whether the transactions contemplated under the Buying Agent Agreement and the Pulp Purchase Agreement are conducted in accordance with their terms; and (iii) the terms offered by the Buying Agents and the Previous Vendors' Group under the 2018 Buying Agent Agreement and the Master Agreement were no less favourable or even better than those offered by independent suppliers and the prices offered by the Buying Agents and the Previous Vendors' Group fell below those set out in the price tables as discussed in section 5 above, 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 Buying Agent Agreement and the Pulp Purchase Agreement in order to protect the interests of the Company and the Independent Shareholders.

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7. The Annual Caps

7.1 *Buying Agent Agreement*

Historical transaction amounts

Set out below are the historical transaction amounts under the 2018 Buying Agent Agreement for the two years ended 31 December 2020 and the nine months ended 30 September 2021 as well as the previous annual caps under the 2018 Buying Agent Agreement:

	Year ended 31 December				For the nine months ended 30 September	
	2019		2020		2021	
	Annual caps	Historical amounts	Annual caps	Historical amounts	Annual caps	Historical amounts
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Amounts paid/payable under the 2018 Buying Agent Agreement	900	209	900	246	900	212

In 2019 and 2020, the historical transaction amounts only accounted for around 23% and 27% of the previous annual caps respectively. For the nine months ended 30 September 2021, the historical transaction amounts were less than half of the annual caps for 2021. We have discussed with the management of the Group and are advised that most of the offshore recovered paper was procured for its PRC production prior to 2019 and the low annual cap utilisation rates were mainly due to the gradual tightening on the import quotas of recovered paper by the PRC government until a full ban at the beginning of 2021. The Group has made efforts to overcome operation difficulties brought by the regulatory changes by (i) setting up a new paper plant in Malaysia in November 2020 and a new pulp factory in Indonesia in January 2020 and (ii) shifting offshore recovered paper to its manufacturing facilities in Southeast Asian countries for processing. However, it takes time for those new manufacturing facilities to ramp up production and absorb the amount of offshore recovered paper previously used for the Group's PRC manufacturing facilities in the past.

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Buying Agent Annual Caps

Set out below are the proposed Buying Agent Annual Caps for each of the three years ending 31 December 2022, 2023 and 2024:

	For the financial year ending 31 December		
	2022	2023	2024
Quantity (million metric tons)	2.26	2.94	2.94
Average price (US\$/metric ton)	385	368	368
Projected purchase amounts (US\$' million) ⁽¹⁾	870.6	1,082.4	1,082.4
5% buffer (US\$' million)	43.4	54.1	54.1
Buying Agent Annual Caps (US\$' million)⁽²⁾	914	1,137	1,137

Notes:

1. Quantity and average price in the above table have been subject to rounding adjustments. Accordingly, figures shown as projected purchase amounts may not be an arithmetic multiplication of the aforementioned figures.
2. Due to rounding, the figures shown as projected purchase amounts and 5% buffer may not add up to the Buying Agent Annual Caps.

As set out in the letter from the Board, 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 and 2020 and the nine months up to 30 September 2021, respectively. As discussed above, the purchase of offshore recovered paper in 2019 and 2020 was adversely affected by the increasing stringent import regulations in the PRC as compared to those of 3.12 million metric tons in 2017 and 2.57 million metric tons in 2018 and, after the implementation of the full ban on the import of recovered paper, all the offshore recovered paper procured in 2021 was used in the manufacturing facilities in Southeast Asia. The increase in the purchase of recovered paper through the Buying Agent in 2020 was mainly due to the newly set up paper mill in Malaysia and the pulp factory in Indonesia.

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Based on the 2020 Annual Report, the Group's aggregate annual production capacities in the PRC is about 6.71 million tons. We have discussed with the management of the Group and are advised that about half of its PRC production relied on imports of offshore recovered paper in 2018 or before and the Group is facing an unprecedented import ban on recovered paper in the PRC after signing of the 2018 Buying Agent Agreement until a full import ban at the beginning of 2021 as discussed in section 4 above. As stated in the 2020 Annual Report, the Group's profit for the year dropped from HK\$4,880 million in 2018 to HK\$3,300 million and HK\$3,653 million in 2019 and 2020, respectively. At present, the Group operates two paper mills in Vietnam and Malaysia and a pulp factory in Indonesia with an aggregate annual production capacity: 1.54 million tons. As advised by the management of the Group, the Group aims not only to improve its profitability but also to ensure its supply chain sustainability by repositioning all the offshore recovered paper for use in the PRC before to Southeast Asia. In addition, it plans to further expand its paper-making business and pulp making and waste paper recycling in Southeast Asian countries by introducing new production lines in those existing factories and setting up more factories with additional annual processing capacities of 0.82 million tons in 2023. Having considered (i) the Group plans to improve its profitability and to ensure supply chain sustainability by enhancing its manufacturing facilities in Southeast Asia; (ii) the new production facilities in Malaysia and Indonesia are expected to be fully ramped up by 2023; (iii) the Group will further expand the production capacities in Southeast Asia; and (iv) the projected quantities of the recovered paper purchased from the Buying Agents in 2023 and 2024 are comparable to actual purchase of 2.57 million metric tons in 2018 (i.e. prior to the adverse impact of the pandemic and change in PRC regulations prohibiting import of recovered paper), we consider it reasonable for the management of the Group to project such purchase quantities to satisfy the demand of the Group including those newly set up paper mill operations in Southeast Asia for the next three years.

We have discussed with the management of the Group and are advised that the projected average purchase prices for the next three years were determined taking into account (i) the overseas recovered paper market prices and (ii) freight costs in the past two years and nine months. As advised by the management of the Group, the overseas recovered paper market prices and freight costs have been volatile in the past few years. Based on the RISI reports, the prices of main types of recovered paper fluctuated between US\$90 per metric ton and US\$272 per metric ton and between US\$90 per metric ton and US\$280 per metric ton in the United States and between US\$95 per metric ton and US\$238 per metric ton and between US\$95 per metric ton and US\$225 per metric ton in Europe in 2019 and 2020 respectively, while the average purchase price of imported recovered paper through the Buying Agents increased by 59% from US\$148.3 per metric ton for the year ended 31 December 2019 to US\$235.1 per metric ton for the nine months ended 30 September 2021. Therefore, the prices for recovered paper are expected to remain volatile in the near future given the uncertainties over the global economy and global surge in commodity prices. As advised by the management of the Group, the additional manufacturing facilities to be established in Southeast Asia in 2022 are expected to use a larger proportion of low-fibre offshore recovered paper and therefore, the projected unit price for 2022 is higher than those of 2023 and 2024. We have reviewed the Group's projection of the purchase of offshore recovered paper in 2022 – 2024 which showed a slight increase in the purchase volume at a lower average price in 2023 and 2024.

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As stated in the letter from the Board, the transportation costs of recovered paper sourced by the Group has increased by 70.78% in 2021. The Baltic Dry Index (the “BDI”) is reported daily by the Baltic Exchange in London and provides a benchmark for the pricing of moving the major raw materials by sea. Set out below is the movement of the BDI during the period from 1 January 2019 to 15 November 2021:



Source: Bloomberg.

The BDI skyrocketed since 1 January 2019. The BDI increased from around 1,300 in January 2019 to 5,650 in early October 2021 and then dropped significantly to close around 2,800 in mid-November 2021. During the period, the lowest of 393 and the highest of 5,650 were recorded on 14 May 2020 and 7 October 2021, respectively. Multiple factors contributed to the sky high index from the beginning of 2019 to early October 2021, including but not limited to the outbreaks of COVID-19 in some major ports and the Suez Canal blockage in March 2021. The recent plunge was due to the concerns over the Chinese economy coupled with possible production cuts from Brazilian iron ore miner. The average BDI increased by 78.2% in 2021 as compared to that in 2020. Therefore, based on the Group’s expansion plan in Southeast Asia and their knowledge and understanding of recovered paper market and the sharp increase in freight costs in 2021, the management of the Group projected the average purchase price of recovered paper to increase by 64% to reach US\$385 per metric ton in 2022 and then US\$368 per metric ton for each of 2023 and 2024 as the recovered paper purchase mix is expected to be adjusted accordingly following more manufacturing facilities commence operation in 2022 and 2023.

A buffer of 5% has been provided in order to accommodate any unexpected increases in the purchase price of the recovered paper, freight costs or the exchange rate.

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Given that (i) the projected purchase quantities of the recovered paper through the Buying Agents have been determined based on the Group's existing production capacities and production expansion plan in Southeast Asia; (ii) the estimated average purchase price of recovered paper through the Buying Agents has been determined with reference to the average purchase price through the Buying Agents in the nine months ended 30 September 2021, the increase in the historical offshore recovered paper price and the recent skyrocketed freight costs; and (iii) the reasons as explained above for entering into of the Buying Agent Agreement, we consider that the Buying Agent Annual Caps to be fair and reasonable.

7.2 *Pulp Purchase Agreement*

Historical transaction amounts

Set out below are the historical transaction amounts under the Master Agreement for the two years ended 31 December 2020 and the nine months ended 30 September 2021 as well as the previous annual caps under the Master Agreement:

	Year ended 31 December				For the nine months ended 30 September	
	2019		2020		2021	2021
	Annual caps	Historical amounts	Annual caps	Historical amounts	Annual caps	Historical amounts
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Amounts paid/payable under the Master Agreement	1,200	27	2,400	267	2,400	443

In 2019 and 2020, the annual cap utilisation rates were 2% and 11% respectively. The low utilisation rates, as advised by the management of the Group, were mainly due to (i) longer than expected for the Vendors' manufacturing facilities to commence operation; (ii) the recent political turbulence in Myanmar; and (iii) COVID-19 pandemic. As advised by the management of the Group, due to delay in import of machineries and longer than expected running-in process, the manufacturing facilities in Myanmar failed to commence operation as planned. The manufacturing facilities in Myanmar did not commence its operation until October 2019. To make it worse, the outbreak of COVID-19 in December 2019 coupled with the political crisis in Myanmar since February 2021 has caused suffering and violence throughout the country. As a result, as advised by the management of the Group, the operation of the Previous Vendors' Group's manufacturing facilities in Myanmar was suspended since March 2020. The Previous Vendors' Group expedited the construction of the manufacturing facilities in Thailand and the Thailand factory commenced its operation in late 2020 and gradually ramped up its production in the nine months ended 30 September 2021, the Group managed to utilise 20% of the annual caps for 2021 so far.

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Pulp Purchase Annual Caps

Set out below are the proposed Pulp Purchase Annual Caps for each of the three years ending 31 December 2022, 2023 and 2024:

	For the financial year ending 31 December		
	2022	2023	2024
Myanmar			
Quantity (metric tons)	67,500	330,000	330,000
Price (HK\$/metric ton)	3,710	3,710	3,710
Projected purchase amounts (HK\$) (A)	250,391,250	1,224,135,000	1,224,135,000
Thailand			
Quantity (metric tons)	495,000	495,000	495,000
Price (HK\$/metric ton)	5,114	5,114	5,114
Projected purchase amounts (HK\$) (B)	2,531,430,000	2,531,430,000	2,531,430,000
(A) + (B)	2,781,821,250	3,755,565,000	3,755,565,000
Approximately 5% Buffer (HK\$)	118,178,750	144,435,000	144,435,000
Annual Caps (HK\$)	2,900,000,000	3,900,000,000	3,900,000,000

As advised by the management of the Group, the projected purchase amount from the Vendors is based on the estimated aggregate production capacity of the Vendors of 825,000 metric tons per year as stated in the Pulp Purchase Agreement. After their discussion with the Vendors, the management of the Group expects the political crisis in Myanmar would continue in the near future and therefore, based on their best estimation given the uncertainty and instability of the situation, only assumes the Best Eternity's manufacturing facilities in Myanmar to resume operation gradually from the third quarter of 2022. The aggregate purchase amount is projected to be 562,500 metric tons for the year of 2022 and 825,000 metric tons for each of the year of 2023 and 2024, which are based on the production capacities of the two factories and the estimated time for resumption of the factory operation in Myanmar. Based on the military recoup in February 2021 and the current political situation in Myanmar where elections are currently expected to be held and the state of emergency is expected to be extended to no later than August 2023, the management of the Group is of the view that the chance for the manufacturing facilities in Myanmar to resume operation within one year is rather remote but they may possibly be able to resume some normality to a certain extent starting from the third quarter of 2022, subject to economic and social stability of Myanmar having been maintained. Therefore, the Company assumes for now that Best Eternity, the Vendors' manufacturing facilities in Myanmar, will resume operation gradually from the third quarter of 2022. We also concur with the management of the Group that it would possibly be unduly burdensome for the Company to re-seek the approval for revised annual caps from Shareholders and the Group might even fail to capture the opportunities to procure its raw materials at a favourable price in the next three years if the Pulp Purchase Annual Caps do not take into account the production capacities of Myanmar factory.

Since pulp is a relatively new source of raw material in the market for paper-making, the management of the Group considers that the prices for recovered pulp currently available in the RISI report do not fully reflect the market price for different types of

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recovered pulp imported from each of the Southeast Asia markets and therefore are not useful for determining the Pulp Purchase Annual Caps. We have reviewed the recent RISI reports and also noted that there are no detailed specifications on the types of recovered paper for unit prices quoted which, in our view, are not useful for comparison purpose. Based on the purchase records and invoices provided by the Group, we noted that the historical average unit price of the Products purchased from Myanmar factory and Thailand were HK\$2,757 and HK\$3,957 in 2020, respectively and the Products produced by Myanmar and Thailand factories were referred to as “wet” pulp (>50% water and lower fibre content) and “dry” pulp (<5% water and higher fibre content) respectively. Therefore, it is not appropriate to use the recent unit price of the Products purchased from the Thailand factory for estimating those from the Myanmar factory. Nevertheless, based on the information provided by the Group, the average purchase prices of the Products from Myanmar factory in 2019 and 2020 were within the price range of the 2nd tier domestic recovered paper procured by the Group in the same year. Therefore, considering the different types of the pulp produced by each of Myanmar and Thailand factories, the management of the Group projects (i) the purchase price for pulp imported from Myanmar to be HK\$3,710 per metric ton in the next three years, which is with reference to the Group’s average purchase price of 2nd tier domestic recovered paper from January 2021 to September 2021 and an estimated increase of 25%; and (ii) the purchase price for pulp imported from Thailand to be HK\$5,114 per metric ton in the next three years, which is with reference to the average selling price charged by the Vendor located in Thailand to the Group from January 2021 to September 2021 and an estimated increase of 25%.

We have discussed with management of the Group and were advised that since the Myanmar factory’s operation has been suspended since March 2020, the last purchase price is considered out-dated and therefore, the Group takes an alternative approach to project the purchase price of the pulp imported from Myanmar based on the historical purchase price of 2nd tier domestic recovered paper. In the past, the management of the Group would compare the purchase price from Myanmar factory with 2nd tier domestic recovered paper before deciding the purchase of pulp from Myanmar or 2nd tier recovered paper locally as the fibre content of the pulp produced by the Myanmar factory is similar to that of the 2nd tier domestic recovered paper.

For the projected purchase price for the pulp imported from Myanmar, we have reviewed the calculation of the average market price of 2nd tier domestic recovered paper and noted that it is calculated based on the Group’s historical purchase prices of 2nd tier domestic recovered paper in the first nine months of 2021. For the projected purchase price for the pulp imported from Thailand, we have reviewed the calculation of the average selling price to be charged by the Vendor located in Thailand to the Group and noted that it is calculated based on the Group’s historical purchase prices of pulp from the Previous Vendors’ Group located in Thailand in the first nine months of 2021. In addition, based on the pulp purchase records provided by the Company, we noted that the average selling price charged by the Previous Vendors’ Group increased by 23% from RMB2,175 per metric ton in 2020 to RMB2,679 per metric ton for the first nine months of 2021. As such, we consider the increase of 25% adopted in the Pulp Purchase Annual Caps projection to be fair and reasonable.

A buffer of approximately 5% has been provided in order to accommodate any unexpected increases in the purchase price of the Products or the exchange rate.

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Having considered that (i) the projected purchase quantity of the Products from the Vendors has been determined based on the production capacities of the Vendors as stated in the Pulp Purchase Agreement and the estimated time for the Vendor's factory in Myanmar to resume operation; (ii) the projected purchase prices of the Products to be charged by the Vendors are determined based on the comparable domestic recovered paper price or the actual purchase price of pulp through the Previous Vendor's Group in the nine months ended 30 September 2021 with an estimated increase of 25% which is largely in line with recent price increase; (iii) the buffer of approximately 5% accommodates any unexpected increases in the purchase price of the Products or the exchange rate; and (iv) the reasons as explained above for the entering into of the Pulp Purchase Agreement, we consider the Pulp Purchase Annual Caps to be fair and reasonable as far as the Company and the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Buying Agent Agreement and the Pulp Purchase 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 Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder (together with the Buying Agent Annual Caps and the Pulp Purchase 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 Buying Agent Agreement and the Pulp Purchase Agreement and the transactions contemplated thereunder (together with the Buying Agent Annual Caps and the Pulp Purchase Annual Caps).

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

Jenny Leung is a licensed person and a 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	Capacity	Number of Shares held	Approximate % of total issued Shares (Note)
Dr. Lee Man Chun Raymond	Long Position	Beneficial owner	1,358,991,040	31.27%
Mr. Lee Man Bun	Long Position	Beneficial owner	1,358,991,040	31.27%
Mr. Li King Wai Ross	Long Position	Held by spouse	4,564,865	0.11%
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. 4,346,642,000 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)	1,358,991,040	31.27%
Dr. Lee Wan Keung Patrick	Long position	Beneficial owner and held by spouse (Note 3)	415,278,920	9.55%
Ms. Lee Wong Wai Kuen	Long position	Beneficial owner and held by spouse (Note 3)	415,278,920	9.55%

Notes:

1. The percentage has been compiled based on the total number of issued Shares issued as at the Latest Practicable Date (i.e. 4,346,642,000 Shares).
2. Under the SFO, Ms. Ho Tsz Wan is deemed to be interested in the 1,358,991,040 Shares held by Mr. Lee Man Bun as she is the spouse of Mr. Lee Man Bun.
3. Under the SFO, Dr. Lee Wan Keung Patrick directly held 405,278,920 Shares and Ms. Lee Wong Wai Kuen directly held 10,000,000 Shares. Ms. Lee Wong Wai Kuen is the spouse of Dr. Lee Wan Keung Patrick. Both held and are deemed to be interested in 415,278,920 Shares.

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 2020, 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 2 December 2021 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 2020, 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 Latest 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 2020, being the date up to which the latest published audited financial statements of the Group were made up.
- (b) As at the date of this circular, 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 54, 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. DOCUMENTS ON DISPLAY

A copy of each of the Buying Agent Agreement and the Pulp Purchase Agreement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.leemanpaper.com>) for a period of not less than 14 days from the date of 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 and its members' liability is limited)

(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 Thursday, 23 December 2021 at 2:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) the buying agent agreement (the “**Buying Agent Agreement**”) dated 17 November 2021 entered into among Lee Kwok Trading Limited, Winfibre B.V., Winfibre (U.K) Company Limited and Winfibre (U.S.) Incorporated 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 Buying Agent Agreement and the transactions contemplated thereunder.”

(2) “**THAT**

- (a) the pulp purchase agreement (the “**Pulp Purchase Agreement**”) dated 17 November 2021 entered into among Vantage Dragon Limited, Best Eternity Recycle Pulp And Paper Company Limited, Shun Yi International Trading Company Limited and Ms. Lee Man Ching 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 Pulp Purchase 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, 2 December 2021

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, 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.

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 54, 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, which is to be held on Thursday, 23 December 2021, the register of members of the Company will be closed from Monday, 20 December 2021 to Thursday, 23 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 Friday, 17 December 2021.