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理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands and its members' liability is limited)

(Stock Code: 2314)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
(1) 2024 BUYING AGENT AGREEMENT AND
(2) 2024 PULP PURCHASE AGREEMENT**

2024 BUYING AGENT AGREEMENT

On 8 October 2024, the Buying Agents and Lee Kwok Trading entered into the 2024 Buying Agent Agreement pursuant to which Lee Kwok Trading appointed the Buying Agents to act as its buying agents for sourcing recovered paper for itself (and other members of the Group) in the United States and the United Kingdom. The 2024 Buying Agent Agreement has a term of three years commencing from 1 January 2025 up to and including 31 December 2027.

2024 PULP PURCHASE AGREEMENT

On 8 October 2024, Vantage Dragon and the Vendors entered into the 2024 Pulp Purchase Agreement pursuant to which Vantage Dragon has conditionally agreed to buy (for itself and other members of the Group), and the Vendors have conditionally agreed (or to procure other members of the Vendors' Group, respectively) to sell the Products to the Group based on individual orders to be placed by the Group from time to time. The 2024 Pulp Purchase Agreement has a term of three years commencing from 1 January 2025 up to and including 31 December 2027.

* For identification purposes only

LISTING RULE IMPLICATIONS

Each of the Buying Agents and the Vendors are connected persons of the Company under the Listing Rules and each of the transactions under the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement respectively constitute continuing connected transactions of the Company under the Listing Rules.

The highest percentage ratios under the Listing Rules in respect of the Buying Agent Annual Caps and the Pulp Purchase Annual Caps are, on an annual basis, more than 5%. Accordingly, the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement and the respective annual caps will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further information in relation to the transactions contemplated under the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement; (ii) the opinions and recommendations of the Independent Board Committee and Somerley; and (iii) the notice of the EGM, will be despatched to the Shareholders no later than 5 November 2024 as additional time is needed to prepare the information to be included in the circular.

Reference is made to the announcements dated 8 November 2018, 17 November 2021 and 6 September 2022 and the circulars of the Company dated 15 November 2018 and 2 December 2021 in relation to the Previous Buying Agent Agreements and the Previous Pulp Purchase Agreements.

2024 BUYING AGENT AGREEMENT

On 17 November 2021, the Buying Agents and Lee Kwok Trading entered into the 2021 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 for a term of three years from 1 January 2021 to 31 December 2024. The Supplemental Buying Agent Agreement was entered into between the parties on 6 September 2022 to increase the limit of agent fee per metric ton of recovered paper to be charged by each of Winfibre UK and Winfibre US for orders to be settled from 6 September 2022 onwards.

On 8 October 2024, the parties entered into the 2024 Buying Agent Agreement to ensure the continued supply of recovered paper to the Group upon the expiry of the 2021 Buying Agent Agreement on 31 December 2024.

The principal terms of the 2024 Buying Agent Agreement are set out as follows:

Date: 8 October 2024

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 for itself (and other members of the Group) in the United States and the United Kingdom.

During the term of the 2024 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 the member(s) of the Group include, among others, the following:

- (i) to provide market information in relation to recovered paper;
- (ii) to obtain 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 and on terms agreed by the Group;
- (iv) to obtain written approval from the Group 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 organizing 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 the Group 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 the Group;
- (viii) to allow the Group 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 the Group with information about the delivery of recovered paper.

Term of Agreement: Three years commencing from 1 January 2025 up to and including 31 December 2027.

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

The agent fee to be charged by Winfibre UK and Winfibre US shall be no more than US\$9.5 per metric ton of recovered paper purchased, unless all parties agree otherwise in writing taking into account market and other macro-economic conditions. Such agent fee may be adjusted from time to time during the term of the 2024 Buying Agent Agreement provided that the agent fee rate for 2025 shall not exceed the above rates while from 2026 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 and finance costs in providing recovered paper sourcing services (including but not limited to their administrative costs such as office rental and human resources costs) and the total price paid to the Buying Agents by the Group in 2024 (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 2024 Buying Agent Agreement, the adjustment increment can only go up to a maximum of 10% from 2026 onwards. This adjustment is mainly to accommodate any changes in the abovementioned operating costs and finance costs of the Buying Agents due to inflation and unexpected market changes which may cause the Buying Agents' operating costs and finance costs to increase and it is also based on the highest agent fee rate actually charged in the previous year.

Payment: The Group is to settle payments by way of (i) telegraphic transfer within 30 days of the date of invoice or (ii) irrevocable letter of credit, pursuant to which the Buying Agents shall be entitled to cash payment within 120 days after presentation of the letter of credit to the relevant bank.

Condition precedent: The 2024 Buying Agent Agreement is conditional upon compliance by the Company with the relevant requirements of the Listing Rules (including but not limited to the approval of the Independent Shareholders for the 2024 Buying Agent Agreement, the transactions contemplated thereunder and the Buying Agent Annual Caps at the EGM).

The terms of the 2024 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.

Historical Amounts

The aggregate transaction amounts actually incurred under the 2021 Buying Agent Agreement as compared against the related annual caps for the relevant periods are set out below:

	Year ended 31 December 2022	Year ended 31 December 2023	Year ending 31 December 2024
Related annual caps	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)
Actual amount incurred	US\$260 million (approximately HK\$2,028 million)	US\$233 million (approximately HK\$1,817 million)	US\$159 million (approximately HK\$1,240 million) (Note)

Note: The actual amount incurred for the eight months ended 31 August 2024.

For the two years ended 31 December 2022 and 2023 and the eight months ended 31 August 2024, the historical transaction amounts only accounted for around 28.4%, 20.5% and 20.9% (annualised) of the previous annual caps respectively. The generally low annual cap utilization rates were mainly due to (i) the average purchase price of recovered paper purchased through the Buying Agents during the term of the 2021 Buying Agent Agreement was relatively lower than the estimated purchase price of recovered paper as at the date of the 2021 Buying Agent Agreement which may be attributable to global economic downturn; and (ii) the Group purchased less recovered paper from the Buying Agents and more from independent third party suppliers during the term of the 2021 Buying Agent Agreement as a result of the low cost recovered paper offered by independent suppliers.

Buying Agent Annual Caps

The Buying Agent Annual Caps for each of the three financial years ending 31 December 2025, 2026 and 2027 are as follows:

Year ending 31 December 2025	Year ending 31 December 2026	Year ending 31 December 2027
US\$400 million (approximately HK\$3,120 million)	US\$380 million (approximately HK\$2,964 million)	US\$380 million (approximately HK\$2,964 million)

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

- (i) the historical transaction amounts under the 2021 Buying Agent Agreement as set out above and the generally low utilization rate of the previous annual caps, which together account for the downward adjustment in the Buying Agent Annual Caps;
- (ii) the estimated demand (in terms of metric tons) for recovered paper by the Group. The Group purchased approximately 1.1 million, 1.5 million and 0.8 million metric tons of recovered paper through the Buying Agents for the two years ended 31 December 2022, 2023 and the eight months ended 31 August 2024, respectively. The estimated amount of recovered paper to be purchased by the Group through the Buying Agents is expected to be approximately 1.3 million, 1.3 million and 1.3 million metric tons for the three years ending 31 December 2025, 2026 and 2027, respectively, which are based on the production plan of the Group during the term of the 2024 Buying Agent Agreement taking into account mainly the type of paper products to be manufactured and the quantity of recovered paper needed for each paper product;
- (iii) the estimated price volatility of recovered paper during the term of the 2024 Buying Agent Agreement taking into account the historical price increment of recovered paper. During the eight months ended 31 August 2024, the average prices of recovered paper (inclusive of agent fee) sourced by the Group via the Buying Agents from the United States and the United Kingdom increased by approximately 34.7% and 17.9% respectively, as compared to the average prices for 2023; and

- (iv) a buffer of approximately 8% on the estimated demand for the recovered paper required by the Group.

In determining the Buying Agent Annual Caps, the parties have also taken into account the assumption that during the term of the 2024 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.

2024 PULP PURCHASE AGREEMENT

On 17 November 2021, the Vendors and Vantage Dragon entered into the 2021 Pulp Purchase Agreement, pursuant to which Vantage Dragon has conditionally agreed to buy (for itself and other members of the Group), and the Vendors have conditionally agreed (or to procure other members of the Vendors' Group, respectively) to sell the Products to the Group from time to time for a term of three years commencing from 1 January 2022 up to and including 31 December 2024.

On 8 October 2024, the parties entered into the 2024 Pulp Purchase Agreement to ensure the continued supply of the Products to the Group upon the expiry of the 2021 Pulp Purchase Agreement on 31 December 2024.

The principal terms of the 2024 Pulp Purchase Agreement are set out as follows:

Date: 8 October 2024

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

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

During the term of the 2024 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 to member(s) of the Group include, among others, the following:

- (i) to provide market information in relation to the Products;
- (ii) to obtain and provide the Group promptly with the quotes of the Products upon its request;

- (iii) to respond to enquiries from the Group in relation to the purchase of the Products;
- (iv) to be responsible for the respective logistics involved in transporting or delivering the Products on Incoterm of cost and freight basis, including but not limited to organizing country-wide inland trucking of the Products, clearance of customs, carrying out on-site inspections of the Products, putting the Products 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;
- (v) to allow the Group to perform regular site visits and organize quality inspection and specification checks at the Vendors' manufacturing plants; and
- (vi) to provide the Group with information about the delivery of the Products.

Term of Agreement: For a term of three years commencing from 1 January 2025 to 31 December 2027 (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 prevailing market rates according to price quotes in relation to the Products of comparable specifications obtained from at least two independent third party suppliers from time to time on a monthly basis and 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 for the Products of comparable specifications.

Payment: The Group is to settle payments by way of (i) telegraphic transfer within 30 days of the date of invoice or (ii) irrevocable letter of credit pursuant to which the Vendors shall be entitled to cash payment within 120 days after presentation of the letter of credit to the relevant bank.

Condition precedent: The 2024 Pulp Purchase Agreement is conditional upon the compliance by the Company with the relevant requirements of the Listing Rules (including but not limited to the approval of the Independent Shareholders for the 2024 Pulp Purchase Agreement, the transactions contemplated thereunder and the Pulp Purchase Annual Caps at the EGM).

The terms of the 2024 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.

Historical Amounts

The aggregate transaction amounts actually incurred under the 2021 Pulp Purchase Agreement as compared against the related annual caps for the relevant periods are set out below:

	Year ended 31 December 2022	Year ended 31 December 2023	Year ending 31 December 2024
Related annual caps	HK\$2,900 million	HK\$3,900 million	HK\$3,900 million
Actual amount incurred	HK\$1,128 million	HK\$954 million	HK\$449 million (Note)

Note: The actual amount incurred for the eight months ended 31 August 2024.

For the two years ended 31 December 2022 and 2023 and the eight months ended 31 August 2024, the historical transaction amounts only accounted for around 38.9%, 24.5% and 17.3% (annualised) of the previous annual caps respectively. The generally low annual cap utilization rates were mainly due to (i) the Vendors' manufacturing facilities in Myanmar failed to resume operation as planned and (ii) the lower average unit price of the Products purchased from the Vendors which may be attributable to global economic downturn as well as weak domestic demand in the PRC.

Pulp Purchase Annual Caps

The Pulp Purchase Annual Caps for each of the three financial years ending 31 December 2025, 2026 and 2027 are as follows:

Year ending 31 December 2025	Year ending 31 December 2026	Year ending 31 December 2027
HK\$1,900 million	HK\$1,900 million	HK\$1,900 million

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

- (i) the historical transaction amounts under the 2021 Pulp Purchase Agreement as set out above and the generally low utilization rate of the previous annual caps, which together account for the downward adjustment in the Pulp Purchase Annual Caps;
- (ii) the estimated production capacity of the Vendors' Group is approximately 495,000 metric tons per year. Pursuant to the 2024 Pulp Purchase Agreement, each of the Vendors have agreed to use its best endeavour to maintain (or to procure other members of the Vendors' Group to maintain) the above production capacity and/or supply of the Products per year;
- (iii) the estimated price volatility for the Products and taking into account the highest average purchase price of the Products from the Vendor located in Thailand for the two years ended 31 December 2023 and eight months ended 31 August 2024;
- (iv) a buffer of approximately 8% on the estimated demand for the Products required by the Group.

In determining the Pulp Purchase Annual Caps, the parties have also taken into account the assumption that during the term of the 2024 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 market 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), according to prices quoted by at least two independent third party suppliers from time to time on a monthly basis.

In addition, the Group will also take into account the reference price for recovered paper or the Products (as the case may be) reported by Fastmarkets RISI ("RISI") on its website, which appears to be updated on a weekly and monthly basis for the recovered paper and the Products, respectively. RISI is 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. This would allow the Group 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. Based on these pricing information, the Group will prepare price tables setting out the maximum allowable purchase price of recovered paper or the Products (as the case may be) at a particular time. The above price information will be gathered by the Group's procurement department and will be approved by the head of procurement of the Group. The procurement department will place an order with the Buying Agent or the Vendor (as the case 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 2024 Buying Agent Agreement or the 2024 Pulp Purchase Agreement (as the case may be) (i) is no less favourable than those which are available from independent third party suppliers for comparable specifications at relevant delivery dates and (ii) falls below the relevant maximum allowable price as set out in the price tables prepared by the Group.

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 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement are conducted in accordance with the respective terms 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 monthly basis as part of its policy to prescribe the purchase price limit of the Group. For recovered paper, the updates would take into account prices for recovered paper of comparable specifications which are quoted by at least two independent third party suppliers. For the Products, the updates would take into account (i) the prices quoted by at least two independent third party suppliers for the Products of comparable specifications (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 2024 Buying Agent Agreement and the 2024 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 2024 Buying Agent Agreement and the 2024 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 2024 Buying Agent Agreement and the 2024 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 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement will be conducted on normal commercial terms, are fair and reasonable and not prejudicial to the interests of the Company and its minority shareholders.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE 2024 BUYING AGENT AGREEMENT AND 2024 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.

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.

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. Since the establishment of overseas production bases in Malaysia, the Group has also added new production capacity to cater for its business

expansion. Since the full import ban, recovered paper purchased under the Previous Buying Agent Agreements has been supplied to the new production plants in Southeast Asia. For the latest financial year ended 31 December 2023, the amount of recovered paper purchased (including agent fee) by the Group pursuant to the 2021 Buying Agent Agreement was approximately US\$233 million (equivalent to approximately HK\$1,817 million) representing approximately 22% of the Group's total purchase of recovered paper in 2023, whilst the amount of recovered paper purchased directly from overseas independent suppliers amounted to approximately US\$92 million (equivalent to approximately HK\$718 million) representing approximately 9% of the Group's total purchase of recovered paper in 2023.

In order to maintain a constant supply of raw material for paper production, the Group entered into the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement, the term of which begins after the expiry of the 2021 Buying Agent Agreement and the 2021 Pulp Purchase Agreement, respectively.

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 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement are fair and reasonable and are on normal commercial terms, and the entering into of the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole.

LISTING RULE IMPLICATIONS

2024 Buying Agent Agreement

The Buying Agents are principally engaged in the business of sourcing recovered paper. 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 the Project Director of the Group who is responsible for pulp and tissue projects of the Group and a director of certain subsidiaries of the Company. Each of Ms. Chan Wai Man Vivian and the Buying Agents is an associate of Mr. Ng Hok She Harry under the Listing Rules. Accordingly, the Buying Agents are the connected persons of the Company under the Listing Rules and the transactions under the 2024 Buying Agent Agreement constitute continuing connected transactions of the Company under Chapter 14A of 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 475,346,920 Shares (representing approximately 11.07% 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, both executive Directors) and Mr. Ng Hok She Harry is the son of the brother of Mr. Ng Yu Hung.

2024 Pulp Purchase Agreement

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. Best Eternity is indirectly owned as to 72%, 8% and 20% by Ms. Lee Man Ching, Mr. David Kung Fang and an Independent Third Party, respectively. Mr. David Kung Fang is the spouse of Ms. Lee Man Ching. Shun Yi is indirectly owned as to 100% by Ms. Lee Man Ching.

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 2024 Pulp Purchase Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest percentage ratios under the Listing Rules in respect of the Buying Agent Annual Caps and the Pulp Purchase Annual Caps are, on an annual basis, more than 5%. Accordingly, the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement and the respective annual caps will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the relationships above, (i) Dr. Lee Wan Keung Patrick, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun; (ii) Ms. Lee Rosanna Man Lai (who is the daughter of Dr. Lee Wan Keung, Patrick, the sister of Ms. Lee Man Ching, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun); and (iii) Mr. Lee Jude Ho Chung (whose grandfather is the younger brother of the grandfather of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun), will voluntarily abstain from voting at the EGM of the Company to approve the 2024 Buying Agent Agreement, the transactions contemplated thereunder and the Buying Agent Annual Caps 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, (i) 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 2024 Pulp Purchase Agreement and will abstain from voting at the EGM of the Company to approve the 2024 Pulp Purchase Agreement, the transactions contemplated thereunder and the Pulp Purchase Annual Caps; and (ii) Mr. Lee Jude Ho Chung will voluntarily abstain from voting at the EGM of the Company to approve the 2024 Pulp Purchase Agreement, the transactions contemplated thereunder and the Pulp Purchase Annual Caps to avoid the perception of conflict of interest.

As at the date of this announcement, (i) Dr. Lee Wan Keung Patrick held and is deemed to be interested in 475,346,920 Shares (representing approximately 11.07% of the total issued shares of the Company); (ii) Dr. Lee Man Chun Raymond held 1,358,991,040 Shares (representing approximately 31.64% of the total issued shares of the Company); (iii) Mr. Lee Man Bun held 1,303,391,040 Shares (representing approximately 30.35% of the total issued shares of the Company); (iv) Ms. Lee Rosanna Man Lai held 4,564,865 Shares (representing approximately 0.11% of the total issued shares of the Company); and (v) Mr. Lee Jude Ho Chung held 878,000 Shares (representing approximately 0.02% 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.

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

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.

Save as the following, no other Directors have any material interest in the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement or were required to abstain from voting at the board meetings of the Company in relation to the same:

- (a) to avoid the perception of conflict of interest, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (both executive Directors and associates of Dr. Lee Wan Keung Patrick), Mr. Li King Wai Ross (an executive Director and the son-in-law of Dr. Lee Wan Keung Patrick) and Mr. Lee Jude Ho Chung (an executive Director and whose grandfather is the younger brother of the grandfather of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun) had voluntarily abstained from the voting on the board resolution of the Company in relation to the 2024 Buying Agent Agreement; and
- (b) to avoid the perception of conflict of interest, (i) Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (both executive Directors and brothers of Ms. Lee Man Ching) had abstained, and (ii) Mr. Li King Wai Ross (an executive Director and the brother-in-law of Ms. Lee Man Ching) and Mr. Lee Jude Ho Chung had voluntarily abstained, from the voting on the board resolution of the Company in relation to the 2024 Pulp Purchase Agreement.

The Company has set up the Independent Board Committee to advise the Independent Shareholders in respect of the 2024 Buying Agent Agreement and the 2024 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 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement, the transactions thereunder and the relevant annual caps.

A circular containing, among other things, (i) further information in relation to the transactions contemplated under the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement; (ii) the opinions and recommendations of the Independent Board Committee and the independent financial adviser; and (iii) the notice of the EGM will be despatched to the Shareholders no later than 5 November 2024 as additional time is needed to prepare the information to be included in the circular.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the EGM to be held on Monday, 25 November 2024, the register of members of the Company will be closed from Wednesday, 20 November 2024 to Monday, 25 November 2024, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 November 2024.

DEFINITIONS

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

“2021 Buying Agent Agreement”	the buying agent framework agreement dated 17 November 2021 entered into among the Buying Agents and Lee Kwok Trading in relation to the sourcing of recovered paper for a term of three years from 1 January 2022 up to and including 31 December 2024;
“2024 Buying Agent Agreement”	the buying agent agreement dated 8 October 2024 entered into among the Buying Agents and Lee Kwok Trading in relation to the sourcing of recovered paper for a term of three years from 1 January 2025 up to and including 31 December 2027;
“2021 Pulp Purchase Agreement”	the pulp purchase agreement dated 17 November 2021 entered into among the Vendors and Vantage Dragon in relation to the purchase of the Products;
“2024 Pulp Purchase Agreement”	the pulp purchase agreement dated 8 October 2024 entered into among the Vendors and Vantage Dragon in relation to the purchase of the Products;
“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 UK and Winfibre US;
“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 by the Group under the 2024 Buying Agent Agreement for each of the three financial years ending 31 December 2025, 2026 and 2027, details of which are set out in this announcement;
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Continuing connected transaction”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement and the transactions contemplated thereunder, the Buying Agent Annual Caps and the Pulp Purchase Annual Caps;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of People’s Republic of China;
“Independent Board Committee”	a board committee comprising all three independent non-executive Directors, namely Mr. Chau Shing Yim David, Ms. Lo Wing Sze and Mr. Chan Wai Yan Ronald and which will make recommendations to the Independent Shareholders in respect of the 2024 Buying Agent Agreement, the 2024 Pulp Purchase Agreement, the transactions contemplated thereunder, 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 2024 Buying Agent Agreement and the 2024 Pulp Purchase Agreement;
“Independent Third Party”	third party that are independent of the Company and its connected persons;

“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 with a term commencing from 1 July 2019 up to and including 31 December 2021;
“PRC”	the People’s Republic of China;
“Previous Buying Agent Agreements”	collectively (i) 2021 Buying Agent Agreement and the Supplemental Buying Agent Agreement and (ii) the buying agent framework agreement dated 8 November 2018 entered into among the Buying Agents and Lee Kwok Trading in relation to the sourcing of recovered paper for a term of three years from 1 January 2019 up to and including 31 December 2021;
“Previous Pulp Purchase Agreements”	collectively (i) 2021 Pulp Purchase Agreement and (ii) the Master Agreement;
“Products”	pulp board, pulp roll and any ancillary or related pulp products;
“Pulp Purchase Annual Caps”	the maximum annual consideration (being the aggregate of the purchase price of the Products) to be paid to the Vendors’ Group for the purchase of the Products by the Group under the 2024 Pulp Purchase Agreement for the three financial years ending 31 December 2025, 2026 and 2027, details of which are set out in this announcement;
“SFC”	Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share of HK\$0.025 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of shares of the Company;

“Shun Yi”	Shun Yi International Trading Company Limited, a limited liability company incorporated in Thailand;
“Somerley”	Somerley Capital Limited, being a corporation licensed by the SFC for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Buying Agent Agreement and the 2024 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;
“Supplemental Buying Agent Agreement”	the supplemental agreement dated 6 September 2022 entered into among the Buying Agents and Lee Kwok Trading to increase the limit of agent fee per metric ton of recovered paper to be charged by each of Winfibre UK and Winfibre US under the 2021 Buying Agent Agreement;
“Vantage Dragon”	Vantage Dragon Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Vendors”	collectively, Best Eternity, Shun Yi and Ms. Lee Man Ching and each a “Vendor”;
“Vendors’ Group”	any of the majority owned company(ies) of Ms. Lee Man Ching from time to time, including each of Best Eternity and Shun Yi, and its parent companies, subsidiaries and fellow subsidiaries;
“Winfibre UK”	Winfibre (U.K) Company Limited, a limited liability company incorporated in the United Kingdom;
“Winfibre US”	Winfibre (U.S.) Incorporated, a limited liability company incorporated in the United States;

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

“%” per cent.

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

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

Hong Kong, 8 October 2024

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Dr. Lee Man Chun Raymond, Mr. Lee Man Bun, Mr. Li King Wai Ross, Mr. Lee Jude Ho Chung and Mr. Yip Heong Kan and three independent non-executive directors, namely Mr. Chau Shing Yim David, Ms. Lo Wing Sze and Mr. Chan Wai Yan Ronald.