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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)

**CONNECTED TRANSACTION
FURTHER EXTENSION OF THE MATURITY DATE OF THE LOAN
TO A JOINT VENTURE IN THE PRC AND REVISION OF
PRINCIPAL LOAN AMOUNT**

Reference is made to the announcements dated 10 February 2017 and 28 December 2018 in relation to the Loan Agreement entered into between the Lender, an indirect wholly-owned subsidiary of the Company, and the PRC JV, a joint venture indirectly owned by the Company as to 50%. Pursuant to the Loan Agreement, the Lender had agreed to lend up to RMB60 million (equivalent to approximately HK\$67.5 million) to the PRC JV, which was repayable by 31 December 2018. On 28 December 2018, the Lender entered into the First Supplemental Agreement with the PRC JV, pursuant to which the Lender has agreed that the maturity date of the Loan would be extended to 31 December 2020.

The board announces that at the request of the PRC JV, after trading hours on 28 December 2020, the Lender and the PRC JV entered into the Second Supplemental Agreement pursuant to which the parties agreed to adjust the principal amount of the Loan from RMB60 million to RMB65 million (equivalent to approximately HK\$73.1 million) and to further extend the maturity date of the Loan to 31 December 2022. The interest rate will also be adjusted from 3.8% to 3.4%.

Save and except for the aforesaid amendments, all the terms and conditions of the Loan Agreement remain unchanged and continue in full force and effect.

LISTING RULE IMPLICATIONS

Mr. Lee Man Yan, the ultimate controlling shareholder of LMC holding 65% issued shares of LMC as at the date of this announcement, is an associate of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (who are executive Directors). As the PRC JV is indirectly owned as to 50% by each of the Company and LMC, the PRC JV is a connected person of the Company under the Listing Rules and the transaction contemplated under the Second Supplemental Agreement constitutes a connected transaction subject to Chapter 14A of the Listing Rules.

* *For identification purposes only*

As the applicable percentage ratios (as defined under the Listing Rules) are more than 0.1% but less than 5%, the transaction contemplated under the Second Supplemental Agreement is subject to the reporting and announcement requirements, but is exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of Lee & Man Paper Manufacturing Limited (the “**Company**”) dated 10 February 2017 (the “**2017 Announcement**”) in relation to the loan agreement (the “**Loan Agreement**”) entered into between Jiangxi Lee & Man Paper Manufacturing Ltd. (the “**Lender**”), an indirect wholly-owned subsidiary of the Company, and 瑞昌理文物流有限公司 (Ruichang Lee & Man Logistics Company Limited*) (the “**PRC JV**”), a joint venture indirectly owned as to 50% by each of the Company and Lee & Man Chemical Company Limited (“**LMC**”). Pursuant to the Loan Agreement, the Lender had agreed to lend up to RMB60 million (equivalent to approximately HK\$67.5 million) (the “**Loan**”) to the PRC JV, which was repayable by 31 December 2018.

Reference is also made to the announcement of the Company dated 28 December 2018 in relation to the first supplemental agreement (the “**First Supplemental Agreement**”) to the Loan Agreement entered into by the Lender with the PRC JV on 28 December 2018, pursuant to which the parties agreed that the maturity date of the Loan would be extended to 31 December 2020.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2017 Announcement.

The board announces that at the request of the PRC JV, after the trading hours on 28 December 2020, the Lender has entered into the second supplemental agreement (the “**Second Supplemental Agreement**”) to the Loan Agreement with the PRC JV pursuant to which the parties agreed to adjust the principal amount of the Loan from RMB60 million to RMB65 million (equivalent to approximately HK\$73.1 million) and to further extend the maturity date of the Loan to 31 December 2022. The interest rate will also be adjusted from 3.8% to 3.4%.

Save and except for the aforesaid amendments, all the terms and conditions of the Loan Agreement remain unchanged and continue in full force and effect.

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A summary of the principal terms of the Loan Agreement (as amended by the Second Supplemental Agreement) are set out below:

Date:	10 February 2017 (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement)
Parties:	Lender: Jiangxi Lee & Man Paper Manufacturing Ltd. Borrower: 瑞昌理文物流有限公司 (Ruichang Lee & Man Logistics Company Limited*)
Loan Facility:	RMB65 million (equivalent to approximately HK\$73.1 million)
Interest rate:	3.4% per annum, which was negotiated on an arm's length basis between the Lender and the PRC JV and was determined based on the cost of funding by the Lender.
Maturity Date:	31 December 2022

INFORMATION ON THE GROUP

The Group is principally engaged in large-scale paper manufacturing and specializes in the production of linerboard, corrugated medium and tissue paper. The LMC Group is principally engaged in the manufacture and sale of chemical products.

INFORMATION ON THE PRC JV

The PRC JV is a company established in the PRC with limited liability which is indirectly owned as to 50% by the Group and 50% by the LMC Group. The PRC JV is principally engaged in undertaking certain pier construction projects in Jiangxi, China.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

The PRC JV was established as a joint venture by the Company and LMC to undertake certain pier construction projects in Jiangxi, China. Whilst the pier construction has completed, the pier is still in its preliminary phase of operations where revenue generation has only just commenced and substantial cashflow is required. The Group has therefore agreed to extend the maturity date of the Loan so as to support the PRC JV's operations. The PRC JV is expected to provide the Group with exclusive additional logistical support enhancing the distribution and supply network of its raw materials and finished products.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Second Supplemental Agreement have been arrived at by the Lender and the PRC JV after arm's length negotiation, having regard to the financial background of the PRC JV, further interest income to be brought to the Group and the benefit to the Group even after the completion of the pier construction as stated in the above paragraph. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Second Supplemental Agreement are, whilst not in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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LISTING RULE IMPLICATIONS

Mr. Lee Man Yan, a director of LMC and the ultimate controlling shareholder of LMC holding 65% issued shares of LMC as at the date of this announcement, is an associate of Dr. Lee Man Chun Raymond and Mr. Lee Man Bun (who are executive Directors).

Dr. Lee Man Chun Raymond and Mr. Lee Man Bun each holds 31.27% of the issued shares of the Company as at the date of this announcement.

As the PRC JV is indirectly owned as to 50% by each of the Company and LMC, the PRC JV is a connected person of the Company under the Listing Rules and the transaction contemplated under the Second Supplemental Agreement constitutes a connected transaction subject to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) are more than 0.1% but less than 5%, the transaction contemplated under the Second Supplemental Agreement is subject to the reporting and announcement requirements, but is exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, who are executive Directors and are associates of Mr. Lee Man Yan, had abstained from voting on the relevant board resolution approving the Second Supplemental Agreement and the transaction contemplated thereunder. Save as aforesaid, no Director has any material interest in the Second Supplemental Agreement and the transaction contemplated thereunder. However, Mr. Li King Wai Ross, an executive Director and brother-in-law of Mr. Lee Man Yan, Dr. Lee Man Chun Raymond and Mr. Lee Man Bun, had voluntarily abstained from voting on the relevant board resolution approving the Second Supplemental Agreement and the transaction contemplated thereunder to avoid the perception of conflict of interest.

For illustration purposes only, the exchange rate of RMB1 = HK\$1.125 has been adopted for translating RMB into HK\$ in this announcement.

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

Hong Kong, 28 December 2020

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Dr. Lee Man Chun Raymond, Mr. Lee Man Bun, and Mr. Li King Wai Ross, one non-executive director, namely Professor Poon Chung Kwong, and three independent non-executive directors, namely Mr. Wong Kai Tung Tony, Mr. Peter A. Davies and Mr. Chau Shing Yim David.