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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
SUPPLEMENTAL AGREEMENT TO THE 2021
BUYING AGENT AGREEMENT**

Reference is made to the Announcement and the Circular in respect of, among others, the continuing connected transactions of the Company contemplated under the 2021 Buying Agent Agreement pursuant to which Lee Kwok Trading appointed the Buying Agents as its buying agents for sourcing recovered paper in the United States, the United Kingdom and continental Europe.

In light of the significant increase in operating costs of the Buying Agents given the ongoing interest rate hikes globally, the Group has entered into the Supplemental Agreement on 6 September 2022 with the Buying Agents to increase the agent fee limit.

SUPPLEMENTAL AGREEMENT TO THE 2021 BUYING AGENT AGREEMENT

Background

Reference is made to the Announcement and the Circular in respect of, among others, the continuing connected transactions of the Company contemplated under the 2021 Buying Agent Agreement pursuant to which Lee Kwok Trading appointed the Buying Agents as its buying agents for sourcing recovered paper in the United States, the United Kingdom and continental Europe.

Given the sharp rise in interest rates globally this year and ongoing expectations of rate hikes going forward, the operating costs (primarily the finance costs) of the Buying Agents have been significantly affected and are expected to continue. Taking into account the Group's need for a steady and reliable supply of recovered paper, the Group has on 6 September 2022 entered into the Supplemental Agreement with the Buying Agents, pursuant to which the parties agreed to amend the terms of the 2021 Buying Agent Agreement to reflect the Increase in Agent Fee Limit as detailed below.

* For identification purposes only

The Increase in Agent Fee Limit seeks to compensate the Buying Agents' additional operating costs that they expect to incur for providing recovered paper sourcing services to the Group, in order to ensure the continued supply of recovered paper from the Buying Agents in a cost-effective manner.

Supplemental Agreement

Date: 6 September 2022

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

Subject Matter: To increase the limit of agent fee per metric ton of recovered paper to be charged by each of Winfibre UK and Winfibre US from the Current Agent Fee Limit of no more than US\$5.5 per metric ton of recovered paper to no more than US\$10.0 per metric ton of recovered paper. This shall apply to orders to be settled from 6 September 2022 onwards.

Save for the Increase in Agent Fee Limit (and any consequential changes), all other terms and conditions of the 2021 Buying Agent Agreement, including but not limited to the Buying Agent Annual Caps as approved by the then independent shareholders of the Company at the EGM, have not been altered.

Reasons for and benefits of entering into the Supplemental Agreement

As detailed in the Circular, the total price payable for recovered paper sourced by the Buying Agents is the aggregate of the purchase price of recovered paper, the agent fee and the relevant fees for obtaining regulatory certifications. The agent fee, being one of the three price components, is determined having reference to the Buying Agents' operating costs in providing recovered paper sourcing services (which includes finance costs incurred by such Buying Agents in sourcing recovered paper for the Group). Given the sharp rise in interest rates having already impacted the Buying Agents' operating costs, together with ongoing expectations of rate hikes going forward, the Buying Agents have (during the course of providing recovered paper sourcing services to the Group) incurred and are expected to incur additional finance costs, resulting in the Current Agent Fee Limit being exceeded imminently. In light of the circumstances stated above and the difficulty in sourcing recovered paper for paper production of the Group as detailed in the Circular, the Directors considered it necessary to increase the prescribed agent fee limit with reference to the prevailing market interest rate and to compensate the Buying Agents for the additional finance costs that they expect to incur for providing recovered paper sourcing services to the Group, in order to ensure the continued supply of recovered paper from the Buying Agents. For the avoidance of doubt, the purchase price for purchasing recovered paper through the Buying Agents (taking into account the agent fee at the upper limit of the increased agent fee limit) is still substantially lower than the cost of the Group purchasing the same from independent third party suppliers.

Listing Rules Implications

The Increase in Agent Fee Limit does not constitute a material variation of the terms of the 2021 Buying Agent Agreement given: (i) the Buying Agent Annual Caps remain the same as disclosed in the Announcement and the Circular and approved by the then independent shareholders of the Company at the EGM; (ii) the agent fee (taking into account the increased limit) to be charged by each of the Buying Agents comprise only a small proportion of the total prices payable for the recovered paper; and (iii) apart from the Increase of Agent Fee Limit, no other terms of the 2021 Buying Agent Agreement was varied. The Supplemental Agreement and the transactions contemplated thereunder are therefore not subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notwithstanding the above, the Company has decided to make this voluntary announcement to update Shareholders and potential investors for good corporate governance purposes.

GENERAL INFORMATION

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

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

DEFINITIONS

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

“2021 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;
“Announcement”	the announcement of the Company dated 17 November 2021;
“Board”	the board of Directors;
“Buying Agent(s)”	Winfibre BV, 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) paid or to be paid to the Buying Agents for the sourcing of recovered paper for Lee Kwok Trading under the 2021 Buying Agent Agreement for each of the three financial years ending 31 December 2022, 2023 and 2024, being US\$914 million, US\$1,137 million and US\$1,137 million (approximately HK\$7,129 million, HK\$8,869 million and HK\$8,869 million), respectively;
“Circular”	the circular of the Company dated 2 December 2021;
“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;
“Current Agent Fee Limit”	no more than US\$5.5 per metric ton of recovered paper charged by Winfibre UK and Winfibre US;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company held on 23 December 2021 which approved, among other things, the 2021 Buying Agent Agreement and the transactions contemplated thereunder and the Buying Agent Annual Caps;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Increase in Agent Fee Limit”	the increase of the Current Agent Fee Limit to no more than US\$10.0 per metric ton of recovered paper;
“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;
“PRC”	the People’s Republic of China;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement to the 2021 Buying Agent Agreement entered into among the Buying Agents and Lee Kwok Trading on 6 September 2022;
“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.

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

Hong Kong, 6 September 2022

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

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