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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 shares 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 transferee.

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理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

DISCLOSEABLE TRANSACTION

A letter from the Board is set out on pages 2 to 4 of this circular.

* for identification purposes only

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DEFINITIONS

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

“Agreement”	the agreement dated 15 October 2008 entered into between the Vendor and the Purchaser relating to the Transaction;
“Board”	the board of Directors;
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Transaction under the Agreement;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries (other than the Sale Group);
“HKLM”	HKLM Acquisition Inc, a company established in Colorado, the United States of America, and an indirect wholly-owned subsidiary of the Company immediately prior to Completion;
“Latest Practicable Date”	means 31 October 2008, being the latest practicable date prior to the printing of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Worthy Pick Group Limited, a company incorporated in the British Virgin Islands;
“Sale Group”	USLM, HKLM and their subsidiaries;
“Sale Shares”	1,000 shares of par value of US\$1.00 each in the capital of USLM and 1,000 shares of par value of US\$1.00 each in the capital of HKLM, representing the entire issued share capital of USLM and HKLM respectively;
“SFO”	the Securities and Futures Ordinance, Cap 571, laws of Hong Kong;
“Share(s)”	means share(s) of par value of HK\$0.10 each in the capital of the Company;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transfer of the Sale Shares as contemplated thereunder in the Agreement;
“USLM”	USLM Acquisition Inc, a company established in Colorado, the United States of America, and an indirect wholly-owned subsidiary of the Company immediately prior to Completion;
“Vendor”	Deepfaith International Limited, an indirect wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars; and
“US\$”	United States dollars.

LETTER FROM THE BOARD



理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

Executive Directors:

Lee Wan Keung Patrick (*Chairman*)
Lee Man Chun Raymond
Lee Man Bun
Li King Wai Ross

Registered Office:

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

Non-executive Director:

Poon Chung Kwong

Principal Office in Hong Kong:

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

Independent Non-executive Directors:

Wong Kai Tung Tony
Law Kar Shui Elizabeth
Peter A Davies
Chau Shing Yim David

3 November 2008

To the Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement made by the Company dated 16 October 2008. On 15 October 2008, the Vendor and the Purchaser entered into the Agreement whereby the Vendor agreed, inter alia, to transfer the Sale Shares to the Purchaser for an aggregate consideration of HK\$200 million. The Transaction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

The purpose of this circular is to provide you with further information in relation to the Agreement.

Terms of the Agreement

Date: 15 October 2008

Parties: (i) the Vendor, an indirect wholly-owned subsidiary of the Company.

* for identification purposes only

LETTER FROM THE BOARD

- (ii) the Purchaser — to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

Terms: The consideration for the Sale Shares shall be satisfied by the Purchaser by way of a cash payment of HK\$200 million and to be satisfied as follows:

HK\$20 million on Completion;
HK\$30 million by 31 December 2008;
HK\$30 million by 31 March 2009;
HK\$30 million by 30 June 2009;
HK\$30 million by 30 September 2009;
HK\$30 million by 31 December 2009; and
HK\$30 million by 31 March 2010.

Completion: Completion took place immediately after signing of the Agreement on 15 October 2008. Title in and ownership of the Sale Shares transferred on Completion. USLM and HKLM are no longer subsidiaries of the Company immediately after Completion.

INFORMATION ON USLM AND HKLM

USLM and HKLM are companies established in Colorado, the United States of America and were both indirect wholly-owned subsidiaries of the Company immediately prior to Completion. Both companies were mainly engaged in the manufacture of paper pulp outside China and the Asian region.

REASONS OF AND BENEFITS FOR THE TRANSACTION

The Transaction provides a good opportunity to enable the Group to dispose of its interests in USLM and HKLM for cash so as to allow the Group to pursue its principal business in China with better return. Upon completion of the disposal of interests in USLM and HKLM, the Group will continue to focus on its principal businesses in China. The sale proceeds to be received create additional financial resources for the Group and will be used as working capital to support further development of the Group's principal businesses in China. There are no restrictions which apply to the subsequent sale of the Sale Shares.

Details of the net loss (before and after taxation and extraordinary items) attributable to the Sale Shares for the two financial years ended 31 March 2008 immediately preceding the Transaction are approximately:

	2008	2007
Before taxation and extraordinary items	HK\$1 million	HK\$53 million
After taxation and extraordinary items	HK\$3 million	HK\$42 million

LETTER FROM THE BOARD

The unaudited net assets of the Sale Group as at 30 September 2008 was HK\$199 million, the estimated gain arising from the disposal of the Sale Shares is approximately HK\$1 million, being the difference between the net asset value of the Sale Group and the consideration for the Sale Shares of HK\$200 million.

The consideration of the Transaction is based on the net book value of the assets of the Sale Group and in view of the above, the Directors are of the view that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

The total assets and the total liabilities of the Group were decreased by HK\$204 million and HK\$205 million respectively and the net profits to the Group is HK\$1 million as a result of the disposal. Since the Sale Group has been loss making, the disposal resulting in the Sale Group not being consolidated in the Company's financial statements will have no negative impact on the earnings of the Company.

GENERAL INFORMATION

The Group is a large-scale paper manufacturer and specializes in the production of containerboard.

To the best of the knowledge, information and belief of the Vendor, after having made all reasonable enquiries, the Purchaser is engaged in the business of paper manufacturing.

The Transaction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

FURTHER INFORMATION

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

By Order of the Board
Lee & Man Paper Manufacturing Limited
Lee Wan Keung Patrick
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

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

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they would be deemed to taken to have under Sections 344 and 345 of the SFO) or which would be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Directors' interests in the Shares

Name of Director	Capacity	Number of ordinary shares	Number of ordinary shares subject to options granted under the Share Option Scheme	Percentage of the issued share capital of the Company
Lee Wan Keung Patrick	Held by controlled corporation (<i>Note</i>)	716,847,200	—	63.03%
Lee Man Chun Raymond	Beneficial owner	—	30,492,000	2.68%
Lee Man Bun	Beneficial owner	—	20,300,000	1.78%
Li King Wai Ross	Beneficial owner	—	600,000	0.05%
Poon Chung Kwong	Beneficial owner	150,000	480,000	0.06%
Wong Kai Tung Tony	Beneficial owner	400,000	—	0.04%

Note: These Shares are held by Gold Best Holdings Ltd. ("Gold Best").

Directors' interests in associated corporations of the Company

Name of Director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued shares capital of associated corporation
Lee Wan Keung Patrick	Beneficial owner	Gold Best	51	51%
Lee Man Chun Raymond	Beneficial owner	Gold Best	29	29%
Lee Man Bun	Beneficial owner	Gold Best	20	20%

Note: As Gold Best owns more than 50% interest of the Company, Gold Best is an associated corporation of the Company under the SFO. Gold Best is a controlled corporation of Mr Lee Wan Keung Patrick under the SFO. The entire issued share capital of Gold Best is owned by Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond and Mr Lee Man Bun (all of them are Directors of the Company). Mr Lee Wan Keung Patrick and Mr Lee Man Chun Raymond, both of whom are Directors of the Company, are directors of Gold Best.

2. Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive are aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Notifiable interests in Shares

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Gold Best	Beneficial owner	716,847,200	63.03%
Lee Wan Keung Patrick	Held by controlled corporation (<i>Note 1</i>)	716,847,200	63.03%
Lee Wong Wai Kuen	Held by spouse (<i>Note 2</i>)	716,847,200	63.03%

Notes:

- (1) The 716,847,200 Shares are held by Gold Best. Mr Lee Wan Keung, Patrick is deemed under the SFO to be interested in the same 716,847,200 Shares by virtue of his beneficial interest in 51% of the issued share capital of Gold Best.
- (2) Under the SFO, Lee Wong Wai Kuen is deemed to be interested in these 716,847,200 ordinary shares as she is the spouse of Lee Wan Keung Patrick, a director of the Company.

3. Service Contracts

Each of the directors has entered into a service contract with the Company, details of which are set out below:

Name of Director	Service Contract Effective Date	Service Terms	Salaries per annum HK\$
Lee Wan Keung Patrick	1 September 2007	Three years	Nil
Lee Man Chun Raymond	1 September 2007	Three years	3,360,000
Lee Man Bun	16 August 2007	Three years	2,160,000
Li King Wai Ross	12 August 2008	Three years	1,800,000
Poon Chung Kwong	1 February 2008	One year	Nil
Wong Kai Tung Tony	11 September 2008	One year	80,000
Law Kar Shui Elizabeth	1 January 2008	One year	Nil
Peter A Davies	21 July 2008	One year	200,000
Chau Shing Yim David	1 October 2008	One year	200,000

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

4. Material Adverse Change

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date up to which the latest published audited financial statements of the Group were made up.

5. Competing Interests

None of the Directors and their respective associates (as defined in the Listing Rules) have any interest in a business, which competes or may compete with the business of the Group.

6. Director's Interests In Assets/Contracts And Other Interests

- (a) None of the Directors has 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 March 2008, being the date up to which the latest published audited financial statements of the Group were made.
- (b) None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

7. Litigation

So far as the Directors are aware there is no litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

8. Miscellaneous

- (a) The company secretary and the qualified accountant of the Company is Mr Cheung Kwok Keung. He 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, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company in Hong Kong is located at 5th Floor, Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (c) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.