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If you have sold or transferred all your shares in Lee & Man Paper Manufacturing Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.



理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

**PROPOSED SUBDIVISION OF SHARES
AND
CHANGE IN BOARD LOT SIZE**

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information relating to Lee & Man Paper Manufacturing Limited. The directors of Lee & Man Paper Manufacturing Limited 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 the omission of which would make any statement herein misleading.

Notice convening the extraordinary general meeting of Lee & Man Paper Manufacturing Limited to be held on Friday, 18 December 2009 at 10.00 a.m. at 5/F Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong is set out on pages 8 to 9 of this circular. Whether or not shareholders are able to attend the extraordinary general meeting, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Investor Services Ltd., the share registrar of Lee & Man Paper Manufacturing Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the above extraordinary general meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude shareholders of Lee & Man Paper Manufacturing Limited from attending and voting in person at the extraordinary general meeting (or any adjournment thereof) should they so desire.

* for identification purposes only

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DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company convened to be held on 18 December 2009
“Existing Share Certificate(s)”	existing certificate(s) of Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	30 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificates”	new certificates of Subdivided Shares after the Share Subdivision
“Notice”	the notice convening the EGM
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Share Subdivision”	the proposed subdivision of each Share into four (4) Subdivided Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	subdivided ordinary share(s) of HK\$0.025 each in the issued and unissued share capital of the Company upon the completion of the Share Subdivision
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Subdivision and the change in board lot size is set out below:

Despatch of the circular regarding the Share Subdivision	3 December 2009
Publication of the notice of EGM	3 December 2009
Latest time for lodging the form of proxy for the EGM	10.00 a.m., 16 December 2009
EGM	10.00 a.m., 18 December 2009
Announcement of poll results of the EGM	18 December 2009

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Subdivision:

Effective time (Hong Kong) of the Share Subdivision.	9:30 a.m., 21 December 2009
Dealings in the Subdivided Shares commence	9:30 a.m., 21 December 2009
Original counter for trading in existing Shares in board lots of 400 Shares temporarily closes	9:30 a.m., 21 December 2009
Temporary counter for trading in board lots of 1,600 Subdivided Shares (in the form of Existing Shares Certificates) opens	9:30 a.m., 21 December 2009
First day of free exchange of Existing Share Certificates for New Share Certificates for the Subdivided Shares	21 December 2009
First day of operation of odd lot trading facility	21 December 2009
Original counter for trading in Subdivided Shares in board lots of 1,000 Subdivided Shares (in the form of New Share Certificates) reopens	9:30 a.m., 6 January 2010
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) commences	9:30 a.m., 6 January 2010
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) ends.	4:00 p.m., 26 January 2010
Temporary counter for trading in board lots of 1,600 Subdivided Shares (in the form of Existing Share Certificates) closes	4:00 p.m., 26 January 2010
Last day of operation of odd lot trading facility.	26 January 2010
Last day for free exchange of Existing Share Certificates for the New Share Certificates	29 January 2010

LETTER FROM THE BOARD OF DIRECTORS



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

Non-Executive Director:

Professor Poon Chung Kwong

Independent Non-Executive Directors:

Wong Kai Tung Tony

Peter A Davies

Chau Shing Yim David

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Office:

5th Floor, Liven House

61-63 King Yip Street

Kwun Tong

Kowloon

Hong Kong

3 December 2009

To Shareholders of the Company

Dear Sir or Madam,

**PROPOSED SUBDIVISION OF SHARES
AND
CHANGE IN BOARD LOT SIZE**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 November 2009. The purpose of this circular is to (i) provide you with information relating to the Share Subdivision; and (ii) give you the notice of the EGM.

PROPOSED SUBDIVISION OF SHARES

The Board proposes that each of the existing issued and unissued Shares of HK\$0.10 each in the share capital of the Company be subdivided into four Subdivided Shares of HK\$0.025 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below.

* For identification purpose only

LETTER FROM THE BOARD OF DIRECTORS

The Share Subdivision will reduce the nominal value, and increase the total number of shares of the Company currently in issue. The Share Subdivision will bring about a theoretical corresponding downward adjustment to the trading price of the shares of the Company on the Stock Exchange and enhance the liquidity in the trading of the shares of the Company. Accordingly, the Board is of the view that the Share Subdivision is beneficial to the Company and the Shareholders as a whole.

Other than the expenses, including professional fees and printing charges, to be incurred in relation to the Share Subdivision, the implementation of the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, rights and interests of the Shareholders. There may be adjustments to the relevant exercise price of the outstanding share options granted pursuant to the Company's share option scheme as a result of the Share Subdivision.

Upon the Share Subdivision becoming effective, the Subdivided Shares will rank *pari passu* in all respects with each other in accordance with the articles of association of the Company.

Share capital structure of the Company

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000, divided into 2,000,000,000 Shares, of which 1,137,380,412 Shares are in issue and fully paid or credited as fully paid. Without taking into account the possible allotment and issue of 51,992,000 Shares pursuant to the same number of outstanding share options, and assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the day on which the Share Subdivision becomes effective, immediately upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$200,000,000 divided into 8,000,000,000 Subdivided Shares, of which 4,549,521,648 Subdivided Shares will be in issue and fully paid or credited as fully paid.

Adjustments to share options and the shares issuable

As at the Latest Practicable Date, the Company has outstanding share options granted under its share option scheme entitling the holders thereof to subscribe for up to 51,992,000 Shares. The Share Subdivision will cause adjustments to be made to the exercise prices and/or the number of such share options. Any such adjustments will be made in compliance with Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with the rules of the share option scheme of the Company. The Company will instruct its auditors or an independent financial adviser to certify the adjustments to the share options and will inform the holders of the share options of the adjustments accordingly.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Subdivision; and

LETTER FROM THE BOARD OF DIRECTORS

- (b) the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares, and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any outstanding share options.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are currently traded on the Stock Exchange in board lots of 400 Shares. Upon the Share Subdivision becoming effective, the Board proposes the Subdivided Shares will be traded on the Stock Exchange in board lots of 1,000 Subdivided Shares. The estimated market value per board lot of the Subdivided Shares is expected to be HK\$4,955 (calculated based on the theoretical adjusted closing price of the Subdivided Shares assuming the Share Subdivision had become effective on the Latest Practicable Date).

The Directors consider that the change of the board lot size is in the interest of the Company and the Shareholders as a whole.

In order to alleviate the difficulties arising from the existence of odd lots resulting from the Share Subdivision and the change in board lot size, the Company has agreed to arrange for matching services regarding the sale and purchase of such odd lots from 21 December 2009 to 26 January 2010 (both days inclusive). Shareholders should note that matching of the sales and purchases of such odd lots is on a best-efforts basis and successful matching is not guaranteed. The Company will bear the costs for the matching services.

LISTING AND DEALING

An application will be made to the Stock Exchange for the listing of and permission to deal in the Subdivided Shares arising from the Share Subdivision. Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than Stock Exchange and no such listing permission to deal in is being or is currently proposed to be sought from any other stock exchange.

FREE EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Subdivision becoming effective, Shareholders may submit their Existing Share Certificates to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange for the New Share Certificates free of charge between 9:00 a.m. and 4:30 p.m. on any business day from 21 December 2009 to 29 January 2010 (both dates inclusive). It is expected that New Share Certificates will be available for collection within 10 business days after the submission of the Existing Share Certificates to Tricor Investor Services Limited for exchange.

LETTER FROM THE BOARD OF DIRECTORS

After 29 January 2010, exchange of Existing Share Certificates for New Share Certificates can only be made at a cost of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each Existing Share Certificate cancelled or each New Share Certificate issued, whichever number of share certificates involved is higher.

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m., 26 January 2010 and thereafter will not be accepted for delivery, trading and settlement purposes. However, all Existing Share Certificates will continue to be good evidence of legal title to such equivalent number of Subdivided Shares.

The New Share Certificates will be issued in light orange colour to distinguish from the Existing Share Certificates, which are in green colour.

TRADING ARRANGEMENT FOR SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on 21 December 2009. Parallel trading in the Subdivided Shares (in the form of Existing Share Certificates and New Share Certificates) will be operated from 21 December 2009 to 26 January 2010 (both dates inclusive). Full details of the expected timetable and trading arrangement are set out on page 2 of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages 8 and 9 of this circular is the Notice of EGM to be held at 10.00 a.m. on 18 December 2009 at 5/F Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong, at which an ordinary resolution will be proposed to approve the Share Subdivision.

FORM OF PROXY

A proxy form for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING PROCEDURE

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the EGM shall therefore demand voting on the resolution set out in the Notice be taken by way of poll. On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid Share held. A Shareholder entitled to more than one vote needs not use all his votes or cast all the votes he uses in the same way.

LETTER FROM THE BOARD OF DIRECTORS

As no Shareholders have a material interest in the Share Subdivision, which is different from that of the other Shareholders, no Shareholders will be required to abstain from voting on the resolution to approve the Share Subdivision.

GENERAL

The Company will make further announcements as and when appropriate to inform the Shareholders the result of the EGM and the effective date of the Share Subdivision.

RECOMMENDATION

The Board considers that the Share Subdivision is in the best interests of the Company and its Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

On behalf of the Board
Cheung Kwok Keung
Company Secretary

NOTICE OF EXTRAORDINARY GENERAL MEETING



理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Lee & Man Paper Manufacturing Limited (the “Company”) will be held on Friday, 18 December 2009 at 10.00 a.m. at 5/F Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without modification:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subdivided Shares (as hereinafter defined), each of the issued and unissued shares of HK\$0.10 in the share capital of the Company be and is hereby subdivided into four shares of HK\$0.025 each (the “Subdivided Shares”) with effect from the business day immediately following the day on which this resolution is passed (the “Share Subdivision”) and the directors of the Company be authorised to issue new share certificates in respect of the Subdivided Shares to holders of existing shares of the Company pursuant to the Share Subdivision and to do all things and execute all documents in connection with or incidental to the Share Subdivision as the directors think fit or desirable.”

By Order of the Board
Cheung Kwok Keung
Company Secretary

Hong Kong, 3 December 2009

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Office:

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

Registered Office:

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

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr Lee Wan Keung, Patrick, Mr 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.

Notes:

1. A form of proxy for use at the EGM is enclosed.
2. Every member of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person to represent you.
3. In the case of joint holders of a share if more than one of such joint holder be present at any 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 holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
4. To be valid, the form of proxy together with the power of attorney (if any) or other authority under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the meeting.
5. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish. In such event, the form of proxy shall be deemed to be revoked.