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Lee & Man Holding Limited
理文集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

CONTINUING CONNECTED TRANSACTIONS

On 20 May 2010 Jiangsu Chemical, an indirectly wholly-owned subsidiary of the Company, entered into the New Agreements with Jiangsu Paper to replace the Existing Agreements. Jiangsu Paper is an indirectly wholly-owned subsidiary of Lee & Man Paper, an associate of Mr. Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company. Accordingly, the transactions under the New Agreements constitute continuing connected transactions under the Listing Rules.

For the purpose of the Listing Rules, the New Annual Caps being more than 2.5% and less than 25% of the applicable percentage ratios and are greater than HK\$10,000,000. Consequently, the New Agreements and New Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Accordingly, each of the New Agreements is conditional upon the approval of the Independent Shareholders at the EGM.

In addition, since Lee & Man Paper is a company listed on the Stock Exchange, the New Agreements also constitute continuing connected transactions for Lee & Man Paper and are subject to approval by their independent shareholders.

A circular containing, among other things, details of the New Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

A. THE BACKGROUND

On 14 March 2008, Jiangsu Chemical, an indirectly wholly-owned subsidiary of the Company, entered into the Existing Agreements with Jiangsu Paper. The Existing Agreements and their respective Existing Annual Caps for the years ended 31 December 2008, 2009 and 2010 were approved by the Independent Shareholders at the extraordinary general meeting held on 25 April 2008. For more details, please refer to the Company's announcements dated 14 March 2008 and 25 April 2008 and the Company's circular dated 3 April 2008.

On 20 May 2010, the New Agreements were entered into between the same parties to replace the Existing Agreements and provide for the continuation to provide services to generate steam and electricity. Each of the New Agreements has a term of three years commencing with effect from 1 April 2010 up to and including 31 March 2013. The New Agreements and the transactions contemplated thereunder and the New Annual Caps will be subject to approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.

B. THE NEW AGREEMENTS

The principal terms of the New Agreements are set out as follows:

1. New Steam Services Agreement

Date: 20 May 2010

Parties: (i) Jiangsu Paper
(ii) Jiangsu Chemical (an indirectly wholly-owned subsidiary of the Company)

Nature of Transaction: Jiangsu Paper will provide services to generate steam for Jiangsu Chemical at a charge of RMB30.00 per ton measured at Jiangsu Paper's meter. The coal for generating the steam will be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical will be 0.164 ton of coal for 1 ton of steam, based on the coal standard at 4,750 kcal/kg. Jiangsu Chemical will provide the steam pipelines and relevant facilities to transfer steam to its production facilities. Jiangsu Chemical will also be responsible for the maintenance and repairs of steam pipelines and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 April 2010 till 31 March 2013.

Payment: Steam service fees will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption of the amount of the steam but subject to the limits of the New Annual Caps.

2. New Electricity Services Agreement

Date: 20 May 2010

Parties: (i) Jiangsu Paper
(ii) Jiangsu Chemical (an indirectly wholly-owned subsidiary of the Company)

Nature of Transaction: Jiangsu Paper will provide service to generate electricity for Jiangsu Chemical at a charge of RMB0.08 per kWh. The coal for generating the electricity will be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical will

be 0.557 kg for 1 kWh, based on the coal standard at 4,750 kcal/kg. Jiangsu Chemical will provide the electricity cables and relevant facilities to transmit electricity to its production facilities. Jiangsu Chemical will also be responsible for the maintenance and repairs of electricity cables and relevant facilities.

Term of Agreement: 3 years commencing with effect from 1 April 2010 till 31 March 2013.

Payment: Electricity service fees will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption of the electricity units but subject to the limits of the New Annual Caps.

Under the New Agreements, the steam and electricity service fees are based on the estimated supply costs (including overheads and a mark up representing the investment and financing costs of the electricity and steam generating facilities) of Jiangsu Paper. The New Agreements were negotiated and determined on an arm's length basis based on normal commercial terms. The Existing Agreements and Existing Annual Caps will continue to apply until the New Agreements come into effect, whereupon the Existing Agreements will be superseded by the New Agreements.

C. HISTORICAL AMOUNTS AND ANNUAL CAPS

The aggregate consideration for the services provided to generate steam and electricity for each of the 8 months in 2008, the financial year ended 31 December 2009 and the 3 months ended 31 March 2010 were as follows:-

Type of Transaction	Amount		
	1 May 2008 till 31 December 2008	Year ended 31 December 2009	1 January 2010 till 31 March 2010
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB 8,078,000 (approximately HK\$ 9,179,000)	RMB 27,944,000 (approximately HK\$ 31,754,000)	RMB 8,843,000 (approximately HK\$ 10,049,000)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB 5,061,000 (approximately HK\$ 5,751,000)	RMB 18,778,000 (approximately HK\$ 21,339,000)	RMB 5,837,000 (approximately HK\$ 6,633,000)
Total	RMB 13,139,000 (approximately HK\$ 14,930,000)	RMB 46,722,000 (approximately HK\$ 53,093,000)	RMB 14,680,000 (approximately HK\$ 16,682,000)

At the extraordinary general meeting of the Company held on 25 April 2008, the following Existing Annual Caps for the Existing Agreements for each of the 8 months ended 31 December 2008, and each of the two financial years ended 31 December 2009 and ending 31 December 2010, were approved by the Independent Shareholders.

Type of Transaction	Amount		
	Year ended 31 December 2008 (8 months)	Year ended 31 December 2009	Year ending 31 December 2010
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB 20,000,000 (approximately HK\$ 21,800,000)	RMB 50,000,000 (approximately HK\$ 54,500,000)	RMB 50,000,000 (approximately HK\$ 54,500,000)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB 14,000,000 (approximately HK\$ 15,260,000)	RMB 30,000,000 (approximately HK\$ 32,700,000)	RMB 30,000,000 (approximately HK\$ 32,700,000)
Total	RMB 34,000,000 (approximately HK\$ 37,060,000)	RMB 80,000,000 (approximately HK\$ 87,200,000)	RMB 80,000,000 (approximately HK\$ 87,200,000)

D. NEW ANNUAL CAPS

The Company proposes that the New Annual Caps under the New Agreements (in respect of which Independent Shareholders approval is proposed to be sought at the EGM) for each of the three financial years ending 31 December 2010, 2011 and 2012 be as follows:-

Type of Transaction	Amount		
	Year ending 31 December 2010	Year ending 31 December 2011	Year ending 31 December 2012
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB 23,918,000 (approximately HK\$ 27,194,800)	RMB 20,100,000 (approximately HK\$ 22,853,700)	RMB 20,100,000 (approximately HK\$ 22,853,700)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB 39,437,000 (approximately HK\$44,839,800)	RMB 44,800,000 (approximately HK\$50,937,600)	RMB44,800,000 (approximately HK\$ 50,937,600)
Total	RMB 63,355,000 (approximately HK\$ 72,034,600)	RMB 64,900,000 (approximately HK\$73,791,300)	RMB 64,900,000 (approximately HK\$ 73,791,300)

The New Annual Caps have been determined by reference to the amount of historical transactions between Jiangsu Chemical and Jiangsu Paper for the 8 months ended 31 December 2008, the financial year ended 31 December 2009, and the 3 months ended 31 March 2010, taking into account Jiangsu Paper's own anticipated consumption requirements, the spare electricity and steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements, the production plans and the related estimated electricity and steam requirements of Jiangsu

Chemical for the period from 1 April 2010 up to 31 March 2013, as well as the estimated unit price of steam and electricity services to be provided.

The Directors (excluding the views of the Independent Board Committee whose views will be set out in the circular after having received advice from the IFA) are of the opinion that the New Agreements are entered into after arm's length negotiations, the terms of the New Agreements represent normal commercial terms and that the New Agreements and New Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The advice and recommendation to the Independent Shareholders by the Independent Board Committee will be included in the circular to the Shareholders after they have received advice from the IFA.

Each of the New Agreements is conditional upon the approval of the Independent Shareholders at the EGM. In addition, since Lee & Man Paper is a company listed on the Stock Exchange, the New Agreements also constitute continuing connected transactions for Lee & Man Paper and is subject to approval by their independent shareholders.

E. REASONS AND BENEFITS FOR THE TRANSACTIONS UNDER THE NEW AGREEMENTS

The Group is principally engaged in the manufacture and sale of handbags and chemical production. The principal business of Jiangsu Chemical is in the production and sales of chloromethane products. Lee & Man Paper and its subsidiaries are a large-scale paper manufacturer and specialize in the production of linerboard and corrugating medium. The principal business of Jiangsu Paper is manufacturing and trading of paper. The Group's production facilities in Jiangsu does not have any steam generating facilities and electricity generator, and the production facilities of Lee & Man Paper (which has such facilities) are located nearby.

The New Agreements have been negotiated and agreed on an arms' length basis between Jiangsu Chemical and Jiangsu Paper based on normal commercial terms. As compared to the Existing Annual Caps, the respective New Annual Caps reflect anticipated value of transactions. By entering into the New Agreement, the Company will benefit from securing steady supply of electricity and steam to ensure fulfilment of the Company's production needs.

F. GENERAL

Jiangsu Paper is an indirectly wholly-owned subsidiary of Lee & Man Paper. Mr. Lee Wan Keung Patrick, is also the ultimate controlling shareholder of both Lee & Man Paper and the Company (through his shareholding interest in Fortune Star, the controlling shareholder of the Company). As at the date of this announcement, Fortune Star is interested in approximately 75 % of the shares in the Company and Mr. Lee Wan Keung Patrick is interested in 55 % of the shares in Fortune Star. Accordingly, the transactions under the New Agreements constitute continuing connected transactions under the Listing Rules. The Company does not hold any shares in Lee & Man Paper and vice versa as at the date of this announcement.

Under the Listing Rules, the New Annual Caps, being more than 2.5% and less than 25% of the applicable percentage ratios, is also greater than HK\$10,000,000. Consequently, the New Agreements and the New Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Fortune Star and

its associates will abstain from voting at the EGM of the Company to approve the New Agreements, and the votes of the Independent Shareholders in the EGM will be taken by poll.

An Independent Board Committee will be constituted to make recommendations to the Independent Shareholders in respect of the resolution to approve the New Agreements and the New Annual Caps. As Mr. Wong Kai Tung, Tony, one of the independent non-executive Directors, is also an independent non-executive director of Lee & Man Paper, he will not form a member of the Independent Board Committee. Quam Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether each of the New Annual Caps are fair and reasonable.

A circular containing, among other things, details of the New Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from the IFA to the Independent Board Committee and Independent Shareholders and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

G. DEFINITIONS

The following defined terms are used in this announcement:

"associates"	has the meaning ascribed thereto in the Listing Rules;
"Board"	the board of Directors;
"Company"	Lee & Man Holding Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
"controlling shareholder"	has the meaning ascribed thereto in the Listing Rules;
"Continuing Connected Transactions"	the continuing connected transactions between Jiangsu Chemical and Jiangsu Paper, which is indirectly wholly-owned by Lee & Man Paper, which constitute continuing connected transactions of the Company which require reporting, announcement and Independent Shareholders' approval;
"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 New Agreements, the transactions contemplated hereunder and each of the New Annual Caps;
"Existing Annual Caps"	the maximum annual consideration for providing services to Jiangsu Chemical under the Existing Agreements for each of the three financial years ended 31 December 2008, 2009, and ending 31 December 2010 as approved by independent Shareholders at

the Company's extraordinary general meeting held on 25 April 2008;

"Existing Agreements"	the agreement dated 14 March 2008 between Jiangsu Paper and Jiangsu Chemical in relation to services provided to generate steam by Jiangsu Paper to Jiangsu Chemical and the agreement dated 14 March 2008 between Jiangsu Paper and Jiangsu Chemical in relation to services provided to generate electricity by Jiangsu Paper to Jiangsu Chemical;
"Fortune Star"	Fortune Star Tradings Ltd., a company incorporated in the British Virgin Islands and the controlling shareholder of the Company;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"IFA"	Quam Capital Limited, the independent financial adviser of the Company in respect of the New Agreements and the transactions contemplated thereunder and the New Annual Caps;
"Independent Board Committee"	a board committee comprising of Mr. Heng Kwo Seng and Mr Wan Chi Keung, Aaron BBS JP, both of whom are the independent non-executive Directors, and which will make recommendations to the Independent Shareholders in respect of the New Agreements and the New Annual Caps;
"Independent Shareholders"	Shareholders other than Fortune Star and its associates;
"Jiangsu Chemical"	Jiangsu Lee & Man Chemical Limited, an indirectly wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company;
"Jiangsu Paper"	Jiangsu Lee & Man Paper Manufacturing Company Limited, a wholly foreign-owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of Lee & Man Paper;
"kcal"	kilocalorie;
"kg"	kilogram;
"kWh"	unit of electricity, i.e. kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour;
"Lee & Man Paper"	Lee & Man Paper Manufacturing Limited, a company incorporated in the Cayman Islands, the shares of which are

	listed on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"New Annual Caps"	the maximum annual consideration to be paid or received for providing services to generate electricity and steam by Jiangsu Paper to Jiangsu Chemical under the New Agreements for each of the three financial years ending 31 December 2010, 2011 and 2012, details of which are set out in section D of this Announcement;
"New Agreements"	the New Steam Services Agreement and New Electricity Services Agreement;
"New Steam Services Agreement"	the agreement dated 20 May 2010 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides services to generate steam for Jiangsu Chemical;
"New Electricity Services Agreement"	the agreement dated 20 May 2010 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides services to generate electricity for Jiangsu Chemical;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of PRC;
"Shareholder(s)"	holder(s) of shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"ton"	a metric ton, a measurement of mass equal to 1,000 kilograms;
"%"	per cent.

By order of the Board
Lee & Man Holding Limited
Ms. Wai Siu Kee
Chairman

Hong Kong, 20 May 2010

At the date hereof this announcement, the Board comprises four executive Directors, namely Ms Wai Siu Kee, Ms Poon Lai Ming, Mr Lee Man Yan and Mr Kung Phong, and three independent non-executive Directors, namely Mr. Heng Kwoo Seng, Mr Wong Kai Tung, Tony and Mr Wan Chi Keung, Aaron BBS JP.

* *For identification purposes only*