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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

Since 2008, Jiangsu Chemical, an indirect wholly-owned subsidiary of the Company, had supplied various industrial chemical products as raw materials to Jiangsu Paper. Jiangsu Paper is an indirect wholly-owned subsidiary of Lee & Man Paper, an associate of Mr. Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company. Accordingly, the sales of industrial chemical products by Jiangsu Chemical to Jiangsu Paper constituted continuing connected transactions under the Listing Rules.

No formal sale and purchase agreement had been previously entered into for the sales of industrial chemical products (other than the usual purchase orders) as the Continuing Connected Transactions were initially intended to be on a small scale and the Company did not expect the transaction amounts to exceed 0.1% of the applicable percentage ratios of the Listing Rules for any financial year and were therefore expected to be exempt from the reporting, announcement and independent Shareholders' approval requirements.

The transaction amounts of the Continuing Connected Transactions for the year ended 31 December 2009 amounted to approximately HK\$7,583,000. During recent management reviews of the Group's continuing connected transactions, it was noted that the applicable percentage ratios with reference to the Annual Caps of the Continuing Connected Transactions estimated for the year ending 31 December 2010 exceed 0.1% but are expected to be less than 5%. Consequently, these Continuing Connected Transactions should be subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules. When seeking legal advice for the preparation of such an announcement, it became apparent to the Company that the transaction amounts of the Continuing Connected Transactions for the year ended 31 December 2009 were actually in excess of 0.1% but less than 2.5% of the applicable percentage ratios and an announcement should have been made. The Board regrets to announce that it has not complied with the Listing Rules in relation to the reporting and announcement requirements in respect of the Continuing Connected Transactions on a timely basis.

SALES OF INDUSTRIAL CHEMICAL PRODUCTS TO JIANGSU PAPER

Since 2008, Jiangsu Chemical, an indirect wholly-owned subsidiary of the Company, had supplied various industrial chemical products as raw materials to Jiangsu Paper. Jiangsu Paper is an indirect wholly-owned subsidiary of Lee & Man Paper, an associate of Mr. Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company. Accordingly, the sales of industrial chemical products by Jiangsu Chemical to Jiangsu Paper constituted continuing connected transactions under the Listing Rules.

Details of these continuing connected transactions have been disclosed in the Company's published annual reports for the year ended 31 December 2008 and 2009.

HISTORICAL SALES OF INDUSTRIAL CHEMICAL PRODUCTS

Purchase orders were placed by Jiangsu Paper to Jiangsu Chemical on an "as-required" basis and monthly invoices were issued by Jiangsu Chemical to Jiangsu Paper. No formal sale and purchase agreement had been previously entered into for the sales of industrial chemical products as the Continuing Connected Transactions were initially intended to be on a small scale and the Company did not expect the transaction amounts to exceed 0.1% of the applicable percentage ratios of the Listing Rules for any financial year and were therefore expected to be exempt from the reporting, announcement and independent Shareholders' approval requirements.

The transaction amounts of the Continuing Connected Transactions for the years ended 31 December 2008, 31 December 2009, and the period from 1 January 2010 to 30 June 2010 were as follows:

	Amount	
1 January 2008 to 31 December 2008	1 January 2009 to 31 December 2009	1 January 2010 to 30 June 2010
RMB340,000 (approximately HK\$386,000)	RMB6,673,000 (approximately HK\$7,583,000)	RMB3,018,000 (approximately HK\$3,469,000)

The transaction amounts of the Continuing Connected Transactions for the year ended 31 December 2009 amounted to approximately HK\$7,583,000. During recent management reviews of the Group's continuing connected transactions, it was noted that the applicable percentage ratios with reference to the aggregate value of the Continuing Connected Transactions estimated for the year ending 31 December 2010 exceed 0.1% but are expected to be less than 5%. Consequently, these Continuing Connected Transactions should be subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules. When seeking legal advice for the preparation of such an announcement, it became apparent to the Company that the transaction amounts of the Continuing Connected Transactions for the year ended 31 December 2009 were actually in excess of 0.1% but less than 2.5% of the applicable percentage ratios and an

announcement should have been made. The Board regrets to announce that it has not complied with the Listing Rules in relation to the reporting and announcement requirements in respect of the Continuing Connected Transactions on a timely basis.

NEW SUPPLY AGREEMENT

In anticipation of future sales of industrial chemical products to Jiangsu Paper, Jiangsu Chemical has entered into a Supply Agreement. The principal terms of the Supply Agreement is set out as follows:

Supply Agreement

- Date: 28 July 2010
- Parties: (i) Jiangsu Chemical (an indirect wholly-owned subsidiary of the Company)
(ii) Jiangsu Paper
- Key terms: Jiangsu Chemical will supply various industrial chemical products to Jiangsu Paper at a price based on the prevailing market price per ton at time of placing order by Jiangsu Paper. Jiangsu Chemical will be responsible for the transportation of the industrial chemical products to Jiangsu Paper while the transportation costs will be borne by Jiangsu Paper. There is no minimum amount of industrial chemical products required to be purchased by Jiangsu Paper. Jiangsu Paper shall allow the auditors of Jiangsu Chemical sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions in accordance with the Listing Rules.
- Term of agreement: 3 years commencing with effect from 1 July 2010 until 30 June 2013.
- Delivery/Payment: Purchase orders will be made by Jiangsu Paper to Jiangsu Chemical and Jiangsu Chemical is required to deliver the specified type and amount of industrial chemical products to Jiangsu Paper within 3 business days. Jiangsu Chemical will issue monthly sales invoices to Jiangsu Paper and such invoices shall be settled in cash by Jiangsu Paper within 30 days of the date of issue of the sales invoices by Jiangsu Chemical.

The price and terms of payment under the Supply Agreement were determined by reference to the prevailing market prices and were on terms no less favourable to the Company than those in respect of independent third parties.

ANNUAL CAPS

The Annual Caps for the Continuing Connected Transactions are as follows:

Amount		
Year ending 31 December 2010	Year ending 31 December 2011	Year ending 31 December 2012
RMB15,018,000 (approximately HK\$17,262,000)	RMB27,000,000 (approximately HK\$31,034,000)	RMB30,000,000 (approximately HK\$34,483,000)

The Annual Caps have been determined by reference to (i) the value of historical sales between Jiangsu Chemical and Jiangsu Paper for the year ended 31 December 2009 and the 6 months ended 30 June 2010, (ii) Jiangsu Paper's own anticipated consumption requirements, (iii) the production capacity and estimated quantity of industrial chemical products to be manufactured by Jiangsu Chemical, and (iv) market price fluctuations during the next three years.

The Directors, including the independent non-executive Directors, are of the opinion that the sales of industrial chemical products are made at arm's length negotiations and represented normal commercial terms which were no less favourable to the Company than terms available to independent third parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS AND BENEFITS FOR THE SALES OF INDUSTRIAL CHEMICAL PRODUCTS

The Group is principally engaged in the manufacture and sale of handbags and industrial chemical production. The principal business of Jiangsu Chemical is in the production and sales of chloromethane products, including caustic soda and hydrogen peroxide. Lee & Man Paper and its subsidiaries are a large-scale paper manufacturer and specialize in the production of linerboard and corrugated medium. The principal business of Jiangsu Paper is manufacturing and trading of paper. The sales of industrial chemical products to Jiangsu Paper provides a long-term and steady income flow for the Group. The close proximity of the Group's production facilities in Jiangsu and the production facilities of Lee & Man Paper also reduces transportation costs and provides a convenient and efficient platform for sales of the Group's industrial chemical products to Jiangsu Paper.

GENERAL

Jiangsu Paper is an indirect 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 of the Company and Mr Lee Wan Keung, Patrick is interested in 55% of the shares in Fortune Star. Accordingly, the sales of industrial chemical products 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.

Since each of the applicable percentage ratios with reference to each of the Annual Caps for the sales of industrial chemical products is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules. Details of the Continuing Connected Transactions will be disclosed in the Company's next published annual reports in compliance with the requirements under the Listing Rules.

DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed thereto in the Listing Rules;
“Annual Caps”	the maximum annual amount of sales of industrial chemical products by Jiangsu Chemical to Jiangsu Paper for each of the three financial years ending 31 December 2010, 2011 and 2012;
“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 sales of industrial chemical products by Jiangsu Chemical to Jiangsu Paper (an indirect wholly-owned subsidiary of Lee & Man Paper), which constitutes continuing connected transactions of the Company under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“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;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an indirect 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 indirect wholly-owned subsidiary of Lee & Man Paper;
“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;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of PRC;
“Shareholder(s)”	holder(s) of share of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supply Agreement”	the agreement dated 28 July 2010 entered into between Jiangsu Chemical and Jiangsu Paper in relation to the supply of industrial chemical products by Jiangsu Chemical to Jiangsu Paper;
“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

28 July 2010

As at the date of 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. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron BBS JP and Mr. Heng Victor Ja Wei.

* *For identification purposes only*