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LEE & MAN HOLDING LIMITED

理文集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.leeman.com.hk>

(Stock Code: 746)

POSSIBLE MAJOR TRANSACTION – DEEMED DISPOSAL OF A SUBSIDIARY IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF HENG SING HOLDINGS LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement is made pursuant to Rule 13.09 of the Listing Rules and reference is made to the announcement of the Company dated 5 January 2011.

The Board is pleased to announce that the Company made an application to the Stock Exchange for the approval of the Proposed Spin-off. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 26 January 2011, Heng Sing submitted a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the shares of Heng Sing in issue and to be issued under the Introduction (including the shares of Heng Sing to be issued upon the exercise of the options that may be granted under the Heng Sing Share Option Scheme) on the Main Board of the Stock Exchange. The Proposed Spin-off is subject to the requirements under Practice Note 15 to the Listing Rules and other relevant provisions of the Listing Rules.

The Heng Sing Group, which is the subject of the Proposed Spin-off, comprises certain existing subsidiaries of the Company which are principally engaged in the manufacture and sale of handbags.

The Proposed Spin-off, should it materialise, will constitute a deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules, which may constitute a major transaction for the Company under Chapter 14 of the Listing Rules and be subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Upon completion of the Proposed Spin-off, Heng Sing will cease to be a subsidiary of the Company. In addition, the Heng Sing Share Option Scheme will also require approval of the Shareholders under Chapter 17 of the Listing Rules.

Further announcement(s) will be made by the Company upon finalisation of the structure of the Proposed Spin-off and the Introduction and a circular containing, among others, further information of the Proposed Spin-off and the Heng Sing Share Option Scheme, a letter of advice from an independent financial advisor on the Proposed Spin-off as well as a notice of an extraordinary general meeting to be convened by the Company to approve the Proposed Spin-off and the Heng Sing Share Option Scheme will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the final decisions of the Board and the board of directors of Heng Sing and the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

This announcement is made pursuant to Rule 13.09 of the Listing Rules and reference is made to the announcement of the Company dated 5 January 2011.

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It is currently proposed that the Proposed Spin-off will be conducted by way of an introduction whereby the entire issued shares of Heng Sing will be distributed to the then existing Shareholders by way of distribution in specie without raising any new fund. Details in respect of the Proposed Spin-off, including

the size and structure of the Introduction and the expected timetable, have not yet been finalised. Further announcement(s) will be made by the Company upon finalisation of the structure of the Proposed Spin-off and the Introduction.

INFORMATION ON THE HENG SING GROUP

Heng Sing was incorporated as an exempted company in the Cayman Islands on 4 January 2011 and is as at the date of this announcement wholly-owned by the Company. A reorganisation will be carried out pursuant to which Heng Sing will become the immediate holding company of LM Development and its subsidiaries.

The Group (including the Heng Sing Group) is principally engaged in the manufacture and sale of handbags and the manufacture and sale of chemical products including chloromethane products and caustic soda. The Heng Sing Group, which is the subject of the Proposed Spin-off, is principally engaged in the manufacture and sale of handbags.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board believes that the separate listing of Heng Sing will be beneficial to both the Company and Heng Sing based on the following reasons:

- (i) the Company and Heng Sing are believed to have different growth paths and different business strategies and the Proposed Spin-off will allow separate platforms for the business of the two groups;
- (ii) the Proposed Spin-off will create two groups of companies and will offer the Shareholders with an opportunity to participate in the future development of both the Group as well as the Heng Sing Group and flexibility to invest in both or either of the groups;
- (iii) the Proposed Spin-off will be by way of a distribution in specie whereby upon listing of the shares of Heng Sing, all such shares will be held by the then existing Shareholders. The Company will thus be able to return value to the Shareholders in the form of liquid securities;
- (iv) the Proposed Spin-off will enable the management team of the Company to continue to focus on building its core businesses (i.e. manufacturing and sale of chemical products), thereby enhancing the decision-making process and its responsiveness to market changes;
- (v) the Proposed Spin-off will provide a mechanism to attract and motivate the Heng Sing Group's management directly in line with the financial performance of the Heng Sing Group on a standalone basis;
- (vi) the Proposed Spin-off is expected to improve the operational and financial transparency of the Heng Sing Group and provide investors, the market and rating agencies with greater clarity on the businesses as well as the respective financial status of the Group and the Heng Sing Group; and

(vii) the Proposed Spin-off will provide separate fund raising platforms for the Group and the Heng Sing Group with respect to their respective operations and future expansion.

CONDITIONS PRECEDENT FOR THE PROPOSED SPIN-OFF

The Proposed Spin-off will be conditional on, among others, the following:

- (i) the Listing Committee of the Stock Exchange granting approval for the Proposed Spin-off and the listing of, and permission to deal in, the shares of Heng Sing in issue and to be issued under the Introduction (including the shares of Heng Sing to be issued upon the exercise of the options that may be granted under the Heng Sing Share Option Scheme); and
- (ii) the Shareholders passing an ordinary resolution at an extraordinary general meeting of the Company approving the implementation of the Proposed Spin-off.

POSSIBLE MAJOR TRANSACTION, DEEMED DISPOSAL OF A SUBSIDIARY AND SHAREHOLDERS' APPROVAL

The Proposed Spin-off, should it materialise, will constitute a deemed disposal of the Company's equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules, which may constitute a major transaction for the Company under Chapter 14 of the Listing Rules and be subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Upon completion of the Proposed Spin-off, Heng Sing will cease to be a subsidiary of the Company. It is expected that Heng Sing will be beneficially owned as to 75% in aggregate by two substantial shareholders of the Company immediately following the Introduction. In addition, the Heng Sing Share Option Scheme will also require approval of the Shareholders under Chapter 17 of the Listing Rules

An independent board committee will be formed to consider to Proposed Spin-off and an independent financial advisor will be appointed to advise the independent board committee and the Shareholders on, among others, the fairness and reasonableness of the Proposed Spin-off.

Further announcement(s) will be made by the Company upon finalisation of the structure of the Proposed Spin-off and the Introduction and a circular containing, among others, further information of the Proposed Spin-off and the Heng Sing Share Option Scheme, a letter of advice from an independent financial advisor on the Proposed Spin-off as well as a notice of an extraordinary general meeting to be convened by the Company to approve the Proposed Spin-off and the Heng Sing Share Option Scheme will be despatched to the Shareholders as soon as practicable.

GENERAL

As at the date of this announcement, the Board has not yet finalised whether and when the Proposed Spin-off and the Introduction will be launched. The decisions of the Board and the board of directors of Heng Sing to proceed with the Proposed Spin-off and the Introduction are dependent upon, among others, market conditions during the period leading up to the proposed Introduction. There is also no assurance that the approval for the Proposed Spin-off and the listing of, and permission to deal in, the shares of

Heng Sing in issue and to be issued under the Introduction (including the shares of Heng Sing to be issued upon the exercise of the options that may be granted under the Heng Sing Share Option Scheme) on the Main Board of the Stock Exchange will be granted.

Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the final decisions of the Board and the board of directors of Heng Sing and the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Board”	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
“Directors”	directors of the Company
“Group”	the Company, its subsidiaries and associated companies (which for the purpose of this announcement, excludes the Heng Sing Group unless otherwise specified)
“Heng Sing”	Heng Sing Holdings Limited (恆勝控股有限公司), an exempted company incorporated in the Cayman Islands on 4 January 2011
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Heng Sing Group”	Heng Sing, LM Development and its subsidiaries
“Heng Sing Share Option Scheme”	the share option scheme proposed to be adopted by Heng Sing which will take effect subject to, among others things, the commencement of dealings in the shares of Heng Sing on the Main Board of the Stock Exchange
“Introduction”	the payment of a special interim dividend by the Company to be satisfied by way of distribution in specie of Shares to the Shareholders whose names appear on the register of members of the Company at the close of business on a record date and the listing of the entire issued share capital of Heng Sing on the Stock Exchange by way of introduction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LM Development”	Lee & Man Development Company Limited, a company incorporated in the British Virgin Islands on 15 September 1992, and a wholly-owned subsidiary of the Company as at the date of this announcement
“PRC”	People’s Republic of China and, for the purpose of this announcement and for geographical reference only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Spin-off”	the proposed separate listing of the shares of Heng Sing on the Main Board of the Stock Exchange
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Lee & Man Holding Limited
Wai Siu Kee
Chairman

Hong Kong, 26 January 2011

As at the date of this announcement, the Board comprises 4 executive directors, namely, Ms. Wai Siu Kee, Ms. Poon Lai Ming, Mr. Lee Man Yan and Mr. Kung Phong, and 3 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*