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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)

CONNECTED TRANSACTION JOINT VENTURE

On 28 June 2011, the Company entered into the JV Agreement with LMP and the HK Company for the purpose of establishing a joint venture in the PRC to undertake certain pier construction projects in Jiangxi, China. The JV Agreement sets out their respective rights and obligations in relation to the initial steps and costs involved in setting up the Joint Venture.

Mr Lee Wan Keung, Patrick, is a controlling shareholder of both the Company (through his 55.0% controlling interest in Fortune Star Tradings Ltd., which, as at the date of this announcement, holds approximately 75.0% of the issued shares of the Company) and LMP (in which he holds approximately 53.9% of the issued shares of LMP through his wholly-owned company, Gold Best Holdings Ltd. as at the date of this announcement). Therefore, the entering into of the JV Agreement with LMP constitutes a connected transaction for the Company under the Listing Rules. Given that the agreed financial commitment under the JV Agreement is above the *de minimis* thresholds under Rule 14A.31(2) of the Listing Rules, but is less than 5% of each of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules), the JV Agreement is only subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE JOINT VENTURE

On 28 June 2011, Lee & Man Holding Limited (the “**Company**”) entered into a joint venture agreement (“**JV Agreement**”) with Lee & Man Paper Manufacturing Limited (“**LMP**”) and Southern Hill Company Limited (“**HK Company**”) for the purpose of establishing a joint venture (“**Joint Venture**”) in the PRC

to undertake certain pier construction projects (the “**Project**”) in Jiangxi, China. The JV Agreement sets out their respective rights and obligations in relation to the initial steps and costs involved in setting up the Joint Venture. Further details of the JV Agreement are set out below.

Date: 28 June 2011

Parties: (1) the Company;

(2) LMP; and

(3) HK Company (the Company and LMP each indirectly hold 50% of the entire issued share capital of the HK Company through their wholly-owned subsidiaries Lee & Man Chemical Limited (a wholly-owned subsidiary of the Company) and Lee & Man Industries Company Limited (a wholly-owned subsidiary of LMP)).

Structure: The HK Company shall, and the Company and LMP shall procure the HK Company to, submit all requisite applications and documents (the “**PRC Applications**”) as soon as reasonably practicable to the relevant branch authorities of the Ministry of Commerce, the Administration for Industry and Commerce and any other the relevant government authorities in China (“**PRC Authorities**”) to establish a Wholly Foreign Owned Enterprise (“**WFOE**”) as the joint venture company to carry out the Project, with details as set out below:

Name

(a) The name of the WFOE shall be 瑞昌理文物流有限公司.

Registered Capital

(b) The registered capital of the WFOE shall be US\$12,000,000. The Company and LMP undertake to each contribute US\$6,000,000 (representing 50% of the total amount of the registered capital of the WFOE) by way of shareholder’s loans to the HK Company and the HK Company shall apply such shareholder’s loans towards the paying up of the registered capital of the WFOE in accordance with the articles of association of the WFOE and applicable laws of China.

Investment Amount

(c) The project investment amount of the WFOE shall be US\$32,000,000 and the Company and LMP shall, if required by the HK Company, each contribute on a pro-rata basis, such amounts of shareholder’s loans to the HK Company as they may agree between themselves from time to time after the date of this Agreement, and the HK Company shall apply such shareholder’s loans toward paying up the investment amount.

Managing Director, Legal Representative and Supervisor

- (d) The managing director (執行董事) and legal representative (法人代表) of the WFOE shall be Lee Man Yan (李文恩).
- (e) The supervisor (監事) of the WFOE shall be Li King Wai Ross (李經緯).

Costs and expenses:

The aggregate amount of costs and expenses relating to the establishment of the WFOE (including, without limitation, the costs and expenses in making the PRC Applications) under the JV Agreement are limited to and not expected to exceed US\$1,000,000. Such costs and expenses will be borne by the Company and LMP on a pro-rata basis.

Termination: The JV Agreement may be terminated at any time by the written agreement of all the parties and will terminate automatically without notice upon either of the following events occurring:

- (a) the PRC Applications are not approved by the relevant PRC Authorities by 31 December 2012 or such later date as the parties may agree; or
- (b) on the date when either the Company or LMP, or their respective assignees, no longer hold (directly or indirectly) the beneficial title to any shares in the HK Company, provided always that the transfer of such shares is subject to the prior written consent of the non-transferring party under the JV Agreement.

REASONS AND BENEFITS FOR THE JOINT VENTURE

The purpose of entering into the JV Agreement is to establish a vehicle to undertake certain pier construction projects in Jiangxi, China. It is anticipated that upon the completion of the construction of such piers, the piers would provide the Company and its subsidiaries (the “**Group**”) with additional logistical support to enhance the distribution and supply network of their raw materials and finished goods. The Joint Venture with LMP would allow the Group to share the costs and expenses of the Project without having to seek external bank financing which would incur additional costs.

The costs and expenses to be incurred by the Group in respect of the establishment of the WFOE under the JV Agreement will be satisfied by the Group’s internal resources.

No director of the Company has a material interest in the JV Agreement or is required to abstain from voting on the board resolutions in relation to the same. The directors (including the independent non-executive directors) of the Company, consider that the terms of the JV Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PRINCIPAL ACTIVITIES OF THE COMPANY, LEE & MAN PAPER MANUFACTURING LIMITED AND SOUTHERN HILL COMPANY LIMITED

The Company and its subsidiaries are principally engaged in chemical production.

LMP and its subsidiaries are a large-scale paper manufacturer and specialize in the production of linerboard and corrugating medium. The shares of LMP are listed on the main board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The HK Company is an investment holding company and the Company and LMP each indirectly hold 50% of the entire issued share capital of the HK Company through their wholly-owned subsidiaries; Lee & Man Chemical Limited (a wholly-owned subsidiary of the Company) and Lee & Man Industries Company Limited (a wholly-owned subsidiary of LMP).

DETAILS OF THE CONNECTED RELATIONSHIP AND LISTING RULE IMPLICATIONS

Mr Lee Wan Keung, Patrick, is a controlling shareholder of both the Company (through his 55.0% controlling interest in Fortune Star Tradings Ltd., which, as at the date of this announcement, holds approximately 75.0% of the issued shares of the Company) and LMP (in which he holds approximately 53.9% of the issued shares of LMP through his wholly-owned company, Gold Best Holdings Ltd. as at the date of this announcement). Therefore, the entering into of the JV Agreement with LMP constitutes a connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). Given that the agreed financial commitment under the JV Agreement is above the *de minimis* thresholds under Rule 14A.31(2) of the Listing Rules, but is less than 5% of each of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules), the JV Agreement is only subject to the reporting and announcement requirements, but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.45 of the Listing Rules, details of the JV Agreement will be included in the next published annual report of the Company.

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

28 June 2011

At the date hereof this announcement, the Board comprises four executive directors, namely, Ms Wai Siu Kee, Mr Lee Man Yan, Mr Yang Zuo Ning and Ms Wong Yuet Ming, 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*