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If you have sold or transferred all your securities in Lee & Man Holding Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

DISCLOSEABLE TRANSACTION

* *for identification purposes only*

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DEFINITIONS

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

“Acceptance Date”	the date of acceptance of the Assets as set out in the Agreement and is expected to be around April 2007
“Acquisition”	the acquisition of the Assets pursuant to the Agreement
“Agreement”	the agreement dated 7 December 2005, entered into between Lee & Man Jiangsu and the Vendor in relation to the Acquisition
“Assets”	key equipment and materials, design and technical documentations (including usage rights of patents & know how), process equipment, instrumentation, electrical equipment in respect of production line 1
“Company”	Lee & Man Holding Limited
“connected person”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“First Parcel Land”	a parcel of land located in Yanjiang Industrial Park of approximately 500 acres on which production line 1 will be developed
“Further Acquisitions”	further acquisition of assets for production line 1
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and connected persons of the Company
“Japanese Yen”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	23 December 2005

DEFINITIONS

“Lee & Man Jiangsu”	Lee & Man (Jiangsu) Investment Limited, a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project”	the investment, development by Lee & Man Jiangsu or its wholly owned foreign enterprise in a chloromethanes production plant in Jiangsu for the purposes of production and sale of chloromethanes products
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Ordinary Share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chlorine Engineers Corp., Ltd., a company incorporated in Japan with limited liability

For the purpose of this circular, unless otherwise specified, the conversion of Japanese Yen into HK\$ is based on the exchange rate of Japanese Yen 1 = HK\$0.065.

LETTER FROM THE BOARD



LEE & MAN HOLDING LIMITED

理文集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

Executive Directors:

Ms. Wai Siu Kee (*Chairman*)

Ms. Lee Marine Man Wai

Ms. Poon Lai Ming

Mr. Lee Man Yan

Independent Non-executive Directors:

Mr. Heng Kwo Seng

Mr. Wan Chi Keung Aaron JP

Mr. Wong Kai Tung, Tony

Registered Office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

Principal Place of

Business in Hong Kong:

8th Floor, Liven House

61-63 King Yip Street

Kwun Tong

Kowloon

Hong Kong

30 December 2005

To the shareholders of the Company

Dear Sir or Madam,

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INTRODUCTION

The Directors refer to the Company's announcement dated 16 November 2005 in relation to the Project. The Company announce that its wholly owned subsidiary, Lee & Man Jiangsu, has on 7 December 2005 entered into the Agreement with the Vendor, an Independent Third Party, to purchase the Assets to be used for production line 1 of the Project on the First Parcel Land at the consideration of Japanese Yen 600,000,000 (representing approximately HK\$39,000,000).

* *for identification purposes only*

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As the percentage ratio in respect of the consideration to be paid by Lee & Man Jiangsu under the Agreement exceeds 5% but is less than 25% of the applicable five tests under Chapter 14 of the Listing Rules, the transaction under the Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

The Group also proposes Further Acquisitions in relation to production line 1. The Further Acquisitions will be aggregated with the Acquisition. To the extent any individual Further Acquisition constitutes a discloseable transaction under the Listing Rules, the Company shall comply with the Listing Rules in that regard. Where Further Acquisitions, when aggregated with the Acquisition, constitute a major or other type of notifiable transaction under the Listing Rules, the Company shall comply accordingly.

THE AGREEMENT

Parties: The Purchaser: Lee & Man Jiangsu, a wholly owned subsidiary of the Company
The Vendor: Chlorine Engineers Corp., Ltd., a company incorporated in Japan with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are Independent Third Parties.

The Company came to know the Vendor through its reputation in the market. The Company has compared other vendors who can provide similar equipment and assets and decided to acquire from the Vendor because of its reputation and reasonable prices.

Assets: Key equipment and materials, design and technical documentations (including usage rights of patents & know how), process equipment, instrumentation, electrical equipment to be used for production line 1 on the First Parcel Land. The assembly and building of production line 1 is expected to be completed in the 2nd quarter of 2007. The production line 1 will be capable of producing caustic soda. The Assets will be assembled and tested and the acceptance of the Assets will take place after the testing of the equipment. There are also penalty provisions in the event the Assets are not accepted.

Consideration: The consideration of Japanese Yen 600,000,000 (representing approximately HK\$39,000,000) was agreed after arm's length negotiations between the Vendor and the Purchaser by reference to the current market value (based on the quotations for similar assets received by the Company from other well-known independent suppliers) in respect of the Assets required for plant with similar

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specification of production line 1 and is payable in cash as follows:–

- (i) Japanese Yen 60,000,000 (representing approximately HK\$3,900,000) on or before 6 January 2006, as initial down payment;
- (ii) Japanese Yen 480,000,000 (representing approximately HK\$31,200,000 by 7 December 2006;
- (iii) Japanese Yen 30,000,000 (representing approximately HK\$1,950,000) after the Acceptance Date;
- (iv) Japanese Yen 30,000,000 (representing approximately HK\$1,950,000) within 6 months from the Acceptance Date.

PROPOSED FURTHER ACQUISITION OF ASSETS

The Group plans to acquire further equipment from Independent Third Parties in the next 12 months from the date of the Agreement in relation to production line 1, with terms and consideration to be agreed. The Further Acquisitions will be aggregated with the Acquisition. To the extent any individual Further Acquisition constitutes a discloseable transaction under the Listing Rules, the Company shall comply with the Listing Rules in that regard. Where Further Acquisitions, when aggregated with the Acquisition, constitute a major or other type of notifiable transaction under the Listing Rules, the Company shall comply accordingly.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of handbags and luggage.

As stated in the announcement of the Company dated 16 November 2005, the investment in the Project marks the first step in the diversification of the business of the Group into the chemical production sector. The Group has decided to invest in the production of chloromethanes products. The production line will be capable of producing, among other products, trichloromethane (chloroform) and caustic soda. Trichloromethane (chloroform) is used primarily in the production of chlorodifluoromethane (F-22, which is a refrigerant for air conditioners and freezers), and downstream fluoropolymers chemical materials. Miscellaneous chloroform uses include laboratory general solvent and anaesthetic drug. Caustic soda is used in many industries such as: pulp and paper (as de-inking of waste paper, bleaching of pulp), dyeing of textiles, soaps and detergents, bleach manufacturing etc. The acquisition of the Assets is required for the operations of the production line 1. Having regard to the current market value of similar equipment, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The Acquisition will be funded through internal resources. It is anticipated that production will only commence in the second quarter of the year 2007. Until then, the investment in the Project will not have any earnings or revenue. Save as disclosed, the investment in the Project is not expected to have any material adverse effect on the earnings and assets and liabilities of the Group.

UPDATE OF THE PROJECT

As announced in the announcement of the Company dated 16 November 2005, the application for the licences (including the relevant business licences, land use right certifications and approvals) for the Project is under process. Currently, the Project will comprise of two production lines and production line 2 will be used to produce other chloromethanes products.

INFORMATION ON THE GROUP AND THE VENDOR

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of handbags and luggage. The investment in the Project also marks the first step in the diversification of the business of the Group into the chemical production sector.

Based on the information provided by the Vendor, the Vendor has its head office in Japan and is one of the major electrolyzer suppliers in the world. The Vendor has provided electrolyzer equipment for over 20 years.

LISTING RULES

As the percentage ratio in respect of the consideration to be paid by Lee & Man Jiangsu under the Agreement exceeds 5% but is less than 25% of the applicable five tests under Chapter 14 of the Listing Rules, the transaction under the Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

This circular is made in accordance with the Listing Rules.

Yours faithfully,
For and on behalf of
Lee & Man Holding Limited
Wai Siu Kee
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors 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 concerning the Group the omission of which would make any statement herein misleading.

1. DISCLOSURE OF INTERESTS**Interests and short positions of Directors and chief executive in the share capital of the Company and its associated corporation**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they would be deemed to be taken to have under Sections 344 and 345 of the SFO) or which would be required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the register referred therein pursuant to Section 352 of the SFO.

Directors' interests in the Shares

Name of Director	Number of Shares interested (Long Position)	Capacity	Approximate percentage of Shares
Wai Siu Kee	617,778,000 (Note)	Discretionary object	74.88%
Lee Man Yan	617,778,000 (Note)	Discretionary object	74.88%

Note: These shares are held by Fortune Star Tradings Ltd, whose entire issued share capital is held by Trustcorp Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee and Mr. Lee Man Yan (both of whom are Directors), certain of their family members and other charitable objects.

Directors' interests in associated corporations of the Company

Name of Director	Capacity	Name of associated company	Number of shares interested	Percentage of the issued shares of the associated company
Wai Siu Kee	Discretionary object	Fortune Star Tradings Ltd.	1 (Note)	100%
Lee Man Yan	Discretionary object	Fortune Star Tradings Ltd.	1 (Note)	100%

Note: As Fortune Star Tradings Ltd. owns more than 50% of the Company, Fortune Star Tradings Ltd. is an associated corporation of the Company under the SFO. The entire issued share capital of Fortune Star Tradings Ltd. is owned by Trustcorp Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee and Mr. Lee Man Yan (both of whom are Directors), certain of their family members and other charitable objects.

2. SUBSTANTIAL SHAREHOLDERS**Notifiable interests and short positions in Shares of persons under the provision of Divisions 2 and 3 of Part XV of the SFO and persons who are “substantial shareholders” in the Company for the purposes of the Listing Rules**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive are aware of any other person who had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Notifiable interests in Shares

Name	Number of Shares on which interested (Long Position)	Capacity	% of issued share capital
Fortune Star Tradings Ltd.	617,778,000	Beneficial Owner	74.88%
Value Partners Limited	66,898,000	Investment Manager	8.11%

3. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 March 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. SERVICE CONTRACTS

Each of Ms. Wai Siu Kee, Ms. Lee Marina Man Wai, Ms. Poon Lai Ming and Mr. Lee Man Yan entered into a service contract with the Company for an initial term of three years from 1 January 2002, except Mr. Lee Man Yan's agreement commenced on 16 August 2004, which will continue thereafter unless and until terminated by either party by three months' prior written notice. Each of Mr. Wan Chi Keung, Aaron JP, Mr. Heng Kwoong Seng and Mr. Wong Kai Tung, Tony entered into a letter of appointment with the Company for an initial term of one year from 16 August 2004 which will continue unless and until terminated by either party by three months' written notice.

6. COMPETING INTERESTS

None of the Directors and their respective associates (as defined in the Listing Rules) have any interest in a business, which competes or may compete with the business of the Group.

7. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Cheung Kwok Keung. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. The qualified accountant of the Group is Ms. Wong Yuet Ming who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principle place of business of the Company in Hong Kong is located at 8th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (c) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.