
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**LEE & MAN HOLDING LIMITED****理文集團有限公司****(incorporated in the Cayman Islands with limited liability)***(Stock Code: 746)****PROPOSED GRANT OF OPTIONS**

A notice convening an extraordinary general meeting of the Company to be held at 8th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on Tuesday, 1 June 2010 (the “EGM”) is set out on pages 9 to 10 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

* *for identification purposes only*

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
NOTICE OF EGM	9

DEFINITION

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

“Articles”	means the articles of association of the Company
“associates”	bears the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	means Lee & Man Holding Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“controlling shareholder”	bears the same meaning ascribed thereto in the Listing Rules
“Director(s)”	means director(s) of the Company or the board of directors of the Company, as the context may require
“EGM”	the extraordinary general meeting of the Company to be held at 8th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on 1 June 2010, to consider and, if thought fit, to approve the resolution in respect of the grant of the Options contained in the Notice
“Existing Options”	the share options, other than the Options, which were granted to the Directors and the employees of the Group under the Share Option Scheme up to the Latest Practicable Date
“Fortune Star”	Fortune Star Tradings Ltd., the holding company of the Company, incorporated with limited liability in the British Virgin Islands
“Grantee”	Mr Lee Man Yan, an executive Director and the proposed grantee of the Options
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Grantee and his associates

DEFINITION

“Latest Practicable Date”	means 5 May 2010, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Profit”	for any financial year, means net profit of the Company after tax but excluding extraordinary items based on its audited consolidated statement of comprehensive income for that financial year
“Notice”	means the notice convening the EGM which is set out on pages 9 and 10 of this circular
“Options”	the options proposed to be granted to Mr Lee Man Yan under the Share Option Scheme to subscribe for 82,500,000 Shares respectively as described herein, subject to approval by Independent Shareholders at the EGM
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means share(s) of par value of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	means the share option scheme adopted by the Company on 14 December 2001
“Shareholder(s)”	means the holders of the Share(s)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

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:

Wai Siu Kee (Chairman)

Poon Lai Ming

Lee Man Yan

Kung Phong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Independent Non-executive Directors:

Heng Kwo Seng

Wan Chi Keung, Aaron BBS JP

Wong Kai Tung, Tony

Principal Place of Business in Hong Kong:

8th Floor, Liven House

61-63 King Yip Street

Kwun Tong

Kowloon

Hong Kong

7 May 2010

To Shareholders of the Company

Dear Sir or Madam,

PROPOSED GRANT OF OPTIONS

INTRODUCTION

Pursuant to the Share Option Scheme, the Board proposes to seek the Independent Shareholders' approval at the EGM for the grant of the Options to the Grantee to subscribe for an aggregate of 82,500,000 Shares (representing 10% of the issued capital of the Company as at the Latest Practicable Date) exercisable at the subscription price of HK\$6.69 per Share.

The purpose of this circular is to provide you with information in relation to the grant of the Options and the ordinary resolution to be proposed at the EGM for the Independent Shareholders to approve the grant of the Options.

* for identification purposes only

LETTER FROM THE BOARD

GRANT OF THE OPTIONS

On 23 April 2010, the Board resolved to grant, subject to approval by the Independent Shareholders, the Options to the Grantee. The Grantee is Mr. Lee Man Yan, an executive Director, who joined the Group in 2000 and is the general manager of Jiangsu Lee & Man Chemical Ltd. He is in charge of corporate and strategic planning for the chemical business of the Group, and also responsible for the procurement, staff recruitment, public relations and management operations of the chemical business.

The grant of the Options was approved by all the independent non-executive Directors on 23 April 2010 pursuant to Rule 17.04(1) of the Listing Rules. As the number of Shares which falls to be issued pursuant to the exercise of the Options in full to the Grantee exceeds 1% of the total issued share capital of the Company, the grant of the Options is subject to the approval by the Independent Shareholders with the Grantee and his associates abstaining from voting at the EGM pursuant to the notes to Rules 17.03(4) and 17.04(1) of the Listing Rules. As Fortune Star, the Company's controlling shareholder, is owned by Lee Man Yan, the Grantee, as to 45%, Fortune Star is an associate of the Grantee for the purpose of the Listing Rules and will abstain from voting at the EGM to approve the grant of the Options.

Terms of the Options

The Options, subject to the Independent Shareholders' approval at the EGM, will be granted in accordance with the terms of the Share Option Scheme and a summary of the principal terms of the Options are set out below:

(a) Vesting period and related performance targets

The Option will vest during the period up to and including 22 April 2015. They will be exercisable by the Grantee from 23 April 2011 to 22 April 2015 if the Group achieves the following performance targets:

- (i) up to one-third of the Options (i.e. Options for an aggregate of 27,500,000 Shares) will be exercisable from 23 April 2011 to 22 April 2015 (both dates inclusive) if the Net Profit for the financial year ending 31 December 2010 equals or exceeds 115% of the Net Profit for the financial year ended 31 December 2009. The Net Profit for the year ended 31 December 2009 was HK\$233,823,000.
- (ii) up to two-thirds of the Options (i.e. Options for an aggregate of 55,000,000 Shares) will be exercisable from 23 April 2012 to 22 April 2015 (both dates inclusive) if the Net Profit for the financial year ending 31 December 2011 equals or exceeds 130% of the Net Profit for the financial year ended 31 December 2009;
- (iii) all of the Options (i.e. Options for an aggregate of 82,500,000 Shares) will be exercisable from 23 April 2013 to 22 April 2015 (both dates inclusive) if the Net Profit for the financial year ending 31 December 2012 equals or exceeds 145% of the Net Profit for the financial year ended 31 December 2009; and

LETTER FROM THE BOARD

(iv) to the extent any Options have not become exercisable by 23 April 2014 (i.e. Options for an aggregate of 82,500,000 Shares), they will be exercisable from 23 April 2014 to 22 April 2015 (both dates inclusive) if the Net Profit for the financial year ending 31 December 2013 equals or exceeds 160% of the Net Profit for the financial year ending 31 December 2009.

(b) *Subscription Price*

In compliance with Rule 17.03(9) of the Listing Rule and the Share Option Scheme, the Options are exercisable at the subscription price of HK\$6.69 per Share, which is the highest of (i) HK\$0.1, being the par value of a Share; (ii) HK\$6.69, being the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the grant of the Options on 23 April 2010, and (iii) HK\$6.15, being the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange from 16 April 2010 to 22 April 2010, both dates inclusive (being the five trading days immediately preceding the date of the grant of Options).

(c) *Reasons and consideration for the grant of the Options*

The Options are granted, subject to the Independent Shareholders' approval at the EGM, to the Grantee in recognition of his outstanding performance in the development and management of the chemical business which has contributed a significant growth in Group's Net Profit in 2009 and as an incentive for his continuing commitment and contribution to the Group in the future. The consideration payable by Mr. Lee Man Yan on acceptance of the Options was HK\$1.00.

The Directors (including the independent non-executive Directors) consider that the terms of the Options are fair and reasonable and in the interests of Shareholders as a whole.

Information on options granted under the Share Option Scheme

As at the Latest Practicable Date, no Shares have been granted by the Company under the Share Option Scheme.

The 82,500,000 Shares to be issued upon exercise of the Options in full represent 10% of the total issued share capital of the Company as at the Latest Practicable Date. Under the Share Option Scheme, the Options do not carry any right to voting, dividend, transfer or other rights (including those arising on a liquidation of the Company) prior to their being exercised and the underlying Shares being issued, and the Shares fall to be issued upon exercise of the Options shall rank *pari passu* with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Shares. The Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on a liquidation of the Company) prior to their being exercised and the underlying Shares being issued.

LETTER FROM THE BOARD

Based on the number of Shares at the time of the listing of the Company, the maximum number of Shares which may be issued under the Share Option Scheme upon exercise of all options granted thereunder was 82,500,000. As of the Latest Practicable Date, no options have been granted under the Share Option Scheme. Therefore, assuming that the grant of the Options is approved by the Independent Shareholders at the EGM, the Company may grant the Options to the Grantee in respect of 82,500,000 Shares, representing 10% of the total issued share capital of the Company as at the Latest Practicable Date.

On the basis of 825,000,000 Shares in issue as at the Latest Practicable Date, the 30% overall limit represents a total of 247,500,000 Shares. Accordingly, the 82,500,000 Shares falling to be issued upon exercise of the Options will not exceed the 30% overall limit under the Share Option Scheme as at the Latest Practicable Date.

Subject to the approval by the Independent Shareholders at the EGM, the total number of Shares to be issued to the Grantee upon the exercise of the Options and the percentage of total issued share capital of the Company, both calculated based on the number of Shares in issue as at the Latest Practicable Date, is as follows:

Name of the Grantee	Capacity	No. of Options to be granted	Percentage	No. of options previously granted	No. of options exercised
			of total no. of shares in issue		
Lee Man Yan	Executive Director	82,500,000	10%	Nil	Nil

The following table illustrates the changes in the shareholdings of the Company upon the exercise in full of all the Options (assuming no change in the number of Shares between the Latest Practicable Date and the date when the Shares are issued pursuant to the exercise of the Options in full):

Shareholders	As at the Latest Practicable Date		Upon exercise of the Options in full		Upon exercise of the Options and the Existing Options in full	
	<i>Approximate Number of Shares held</i>	<i>Approximate shareholding percentage</i>	<i>Approximate Number of Shares held</i>	<i>Approximate shareholding percentage</i>	<i>Approximate Number of Shares held</i>	<i>Approximate shareholding percentage</i>
Lee Man Yan <i>(Note 1)</i>	0	0%	82,500,000	9.09%	82,500,000	9.09%
Fortune Star <i>(Note 1)</i>	618,750,000	75%	598,125,000	65.91%	598,125,000	65.91%
Other Shareholders	206,250,000	25%	226,875,000	25.00%	226,875,000	25.00%
Total:	<u>825,000,000</u>	<u>100%</u>	<u>907,500,000</u>	<u>100%</u>	<u>907,500,000</u>	<u>100%</u>

LETTER FROM THE BOARD

Note:

- (1) Fortune Star holds 618,750,000 Shares, comprising 75% of the issued Shares as at the Latest Practicable Date. The Grantee holds a 45% interest in Fortune Star and is therefore, for the purposes of the SFO, deemed to be interested in all the Shares held by Fortune Star. As a term of the grant of the Options, the Grantee has undertaken not to exercise the Options if, immediately after the exercise of the Options, the Company would not comply with the public float requirements under the Listing Rules.

EGM

The notice convening the EGM is set out on pages 9 to 10 of this circular. At the EGM, an ordinary resolution will be proposed to approve the grant of the Options to the Grantee by way of poll.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at the Company's branch share registrar in Tricor Secretaries Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting if you so wish.

VOTING BY POLL

Pursuant to rule 17.04(1), the resolution in respect of the grant of the Options to be put to the vote at the EGM shall be decided by way of poll, where votes may be given either personally or by proxy. As Fortune Star is an associate of the Grantee for the purpose of the Listing Rules, Fortune Star is required to abstain from voting on the grant of the Options to the Grantee. The Directors, being connected persons of the Company, must also abstain from voting at the EGM pursuant to rule 17.04(1).

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 the omission of which would make any statement herein misleading.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the grant of the Options is in the interest of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

Yours faithfully
By order of the board of
Lee & Man Holding Limited
Wai Siu Kee
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



LEE & MAN HOLDING LIMITED

理文集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of Lee & Man Holding Limited (the “Company”) will be held at 8th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong, on 1st June, 2010 at 11:00 a.m. to consider, and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

“**THAT:**

(a) the grant to Mr Lee Man Yan of options under the share option scheme of the Company adopted on 14 December 2001 (the “Share Option Scheme”) to subscribe for 82,500,000 ordinary shares of HK\$0.10 each (the “Shares”) at the subscription price of HK\$6.69 per Share, further information of which was set out in the circular of the Company dated 7 May 2010 (the “Circular”), be and is hereby approved, and (b) any one director or the secretary of the Company be and is thereby authorised to sign such documents and take all steps on behalf of the Company which he considers necessary or desirable in connection with, the aforesaid grant of options pursuant to the Share Option Scheme.

By order of the board of
Lee & Man Holding Limited
Ms Wong Yuet Ming
Company Secretary

Hong Kong, 7 May 2010

At the date hereof, 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.

Notes:

1. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead. Any member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM.
2. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign

* *for identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
6. A form of proxy for use at the EGM is enclosed.